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WEDNESDAY OCTOBER 1 1997

Paper and pulp

Consolidation



Sudden move expected to cause chaos

IT Review

Managing information: imperatives for business

Survey, separate section

**WORLD NEWS** 

### **US and EU take** hard stands on Total's bid to deal with Iran.

The US and the European Union hardened positions over the \$2bn contract signed by Total, the French energy group, to develop an Iranian gas field. Sir Leon Brittan, Europe'a trade commis-sioner, urged the US to grant European companies a waiver under the fran-Libya sanctions act, and avoid unleashing "a chain of events" that would dam age the US-EU relationship.

Three Mile Island sale Three Mile Island, site of the worst civilian nuclear accident in the US, has been put up for sale by General Public Utilities. The Penr sylvania-based company is understood to be in talks with Peco Energy, another regional utility. Page 18

Fed holds interest rates The Federal Reserve opted to leave US interest rates unchanged, content to allow the robust and, so far, inflation-free expansion to continue. The US central bank's open market committee left the Fed funds target rate at 5.5 per cent. Page 6

Secession fever cools Quebec's separatist movement appears to be losing momentum, only months after sovereignty dominated a bitter federal election campaign. One recent poll indicated that 47 per cent would support a new unity initiative rather than secede. Page 6

Push for BA-American link US undersecretary of state Stuari Eizenstat has withdrawn from further involvement in the pro-posed British Airways-American Airlines alliance, after saying earlier he hoped the link-up would be approved. Page 5

Nikko Securities downgraded forecasts to predict negative growth in Japan's gross domestic product of 0.1 per cent for this financial year. It would be the first time Japan had negative GDP growth in 23 years. Page 8

Russian Communist party leader Kremlin's draft budget as "barbaric" and "unacceptable", in defiance of an implicit warning from President Boris Yeltsin that he might dissolve parliament if it opposed his programme. Page 2

Fears over emission policy US business groups made a preemptive strike against President Bill Clinton's global-warming policies, predicting economic havoc if the US commits to cutting "greenhouse gases" at a climate conference in Japan in December.

Kashmir shelling kills 18 Heavy cross-border shelling from Pakistan killed 18 civilians and injured 30 others in India's northern Kashmir, officials said.

Polanski to return to US Film director Roman Polanski, who fled the US to France two decades ago rather than face morals charges involving a 13-year-old girl, is expected to return to Los Angeles for sentencing in a deal sparing him any

Beef ban attack in doubt UK attempts to have a beef exports ban lifted appeared to be heading for failure following an adverse opinion by the advocate general of the European Court of Justice. Page 10

investment editor cited Barry Riley, the FT's Investment Editor, has won the analysis category in the first Gartmore Institutional Fund Management Jour nalism of the Year Awards. Column, Page 19

Markets

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**BUSINESS NEWS** 

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### **UPM-Kymenne** to take over **Blandin Paper** in \$650m deal

UPM-Kymmene, the Finnish pulp and paper producer which is Europe's largest, has underlined its global expansion strategy by spending \$550m on Blandin Paper, US subsidiary of New Zea-land's Fletcher Challenge Group. Page 19; Consolidation on a roll, Page 17; Lex, Page 18

Chicago Board of Trade is expanding its alectronic order and execution system interna-tionally, with London being the first non-US site online. Page 19

Lehman Brothers, the New York investment bank, announced sharply increased earnings for the quarter to the end of August. Page 25

OTE, the Greek public telecoms operator, has reported a 16.3 per cent increase in first-half net profits to Dr90.9bn (\$327m) on turnover up 18.6 per cent to Dr374.4bn. Page 20

TTT, the US hotel and casino company being pursued by Hil-ton Hotels, has been told by a Nevada court it cannot act on a defensive break-up plan without a shareholder vote. Page 24

CLS Services, set up by 20 of the world's largest banks as a for-elgn exchange clearing bank, is to take over rival institutions Echo and Multinet. Page 4

Casino, the French retail group facing two takeover bids, saw a share rise of 3 per cent when trading resumed after the stock market regulator approved both offers. Page 20

Pearson, the media company that owns the Financial Times, is close to a \$400m deal to buy All American, the Los Angeles-based television production company specialising in game show pro-duction. Page 19

Benkers Trust of the US will purchase options to buy up to Y15bn (\$120m) worth of shares in Japan's Nippon Credit Bank in three years time. Page 24

China plans to issue rules for management of mutual invest ment funds by the end of the

NTT, the Japanese telecoms group is paying \$100m for a 12.5 per cent stake in a US local carrier Teligent, Page 21

Marvel Entertainment, the US comic books company, said a deal had been reached between an investment group led by Carl Icahn and bank creditors allowing it to emerge from Chapter 11 bankruptcy protection. Page 25

Qingqi Motorcycle, China's largest producer, said it wants to be the world's biggest manufac-turer by 2000 after Yn10bn (\$1.2bn) of investment. Page 21

italy's Treasury has unveiled the make up of the stable shareholder group of the soon-to-be privatised Telecom Italia, saying 14 companies had committed themselves to 9 per cent of the share capital, Page 22

Cordant, marketing group which includes Saatchi & Saatchi, said the cost of splitting into separately listed advertising groups would be more than £20m. (\$32m). Page 19; Lex, Page 18

From today the FT will publish net dividend yield data for the FTSE UK share indices, as well as gross yield figures. The committee which overses the indices the indices and decided to introduce a net figure. decided to introduce a net figure following the UK's July budget, which abolished dividend tax credits to pension funds. Cal-culations of total return were changed from a gross to a net basis on July 7. London Stocks,

# Russia close to sealing \$26bn debt agreement

Defaulted loans would convert to notes and be traded like bonds

By Edward Luce

Russia is close to completing a deal to restructure more than \$26bn of defaulted loans from the former Soviet Union in one of the largest emerging market debt

The restructuring, which has taken Russia and the London club of commercial creditors more than 18 months to negotiate, will convert the former loans into notes which pay a fixed rate of interest and resemble bonds. The Russian ministry of

finance yesterday said more than 90 per cent of the defaulted dabt had been "reconciled" - or agreed between creditor and debtor. Under the terms of the negotiations, more than 90 per cent of the debt must be "reconciled" before restructuring can

"Barring any unforeseen accidents this deal will now go ahead before the end of the year," said Mark Evans, director of Montpellier Asset Management, in London. "This will provide a strong boost to the international credibility of Russia." Bond analysts expressed sur-

prise yesterday that the deal had been accomplished so swiftly. Tha debt, mostly lent to Soviet enterprises and state-owned bodies before 1991, is held by more than 3,000 western creditors.

The London Club, which is chaired by Deutsche Bank, has not forgiven any of the original the extension of the maturity on the debt by up to 20 years.

ted to become one of the most liquid debt instruments on the international debt markets. "investors will be paid a preminm for holding this debt so it will be very beavily traded," said Richard Gray, chief emerging market economist at Bank of America.

The paper will be known as Vneshekonombank bonds, named after the Russian holding bank that is negotiating the deal. Potential investors already know the rough value of the paper because it is traded through a grey market.

By buying so-called "When and f" Vnesh bonds from the holders of the debt, investors are effectively betting that the deal will go ahead and the debt will be honoured. Under the terms of the market, these phantom deals will dissolve if the restructuring has not been completed before the "drop dead" date of December 31.

The face value of "When and minister yesterday sprang an If" bonds has risen steeply over the past six months. The potendrivers by announcing unprecetial spread - or interest rate difdented restrictions on the use of ferential - over US Treasury bonds has fallen from almost 10 cars today. The move is the latpercentage points in 1996 to est step in a fight against high pollution levels in Paris. about four percentage points in trading yesterday, indicating increasing confidence of investors in the deal. This is a significant premium to existing Russian sovereign eurobonds which are trading at a spread of less than three percentage points over **US Treasuries** 

debt shot up from 40 per cent of face value in 1996 to 103 per cent Analysts say the deal is expec- in secondary trading yesterday.

#### Only cars with oddnumbered registration plates the Paris region today and public transport will be free. Parisians blocked switchboards at government departments, police stations and tha transport authorities' beadquar-

ters as they sought details of the

their way home.

Ms Voynet's decision was taken after an analysis of polintion levels triggered the traffic regulations approved by her preessor, Corinne Lepage. This advertisement appears as a matter of record only

By Andrew Jack in Paris

France's maverick environment

unpleasant surprise on Parisian

Dominique Voynet, the Green

party's only cabinet member,

announced the restrictions

shortly before commuters faced

the rush-hour traffic jams on

erable disruption, given that 3m vehicles enter or leave Paris each day and 1.1m take the ringroad around the city. Politicians yesterday attacked

The action could cause consid-

Grey Paris: smog surrounds the Arche de la Defense yesterday as pollution hit a high level

Paris pollution triggers a

one-day curb on car use

the suddenness of Ms Voynet's decision. Jean-Yves Le Gallou, head of

the Paris regional branch of the extreme right-wing National Front, attacked the move as "the madness of the ecolo-left who have taken over power at the beart of government". Patrick Davedjian, of the centre-right RPR, said: "This is a very technocratic measure which will

French." Motorists driving cars with number plates ending in even digits who are cangbt by the police will face a fine of FF7900 (\$151) and the immobilisation of their vehicle. The restriction will not apply if there are at least

three people in the car, Ms Voynet urged the city anthorities to provide free parking and called on motorists to

She also appealed to Electricité de France to reduce emissions from its generator at Ivry near The move was welcomed by

Parisian pedestrians, who have suffered high levels of pollution since August. "The Parisians may be individualists but it's crazy that you can circulate in the middle of this crowded city when even in Athens they have blocked off the centre to transport," said one coughing worker

in the French capital yesterday. The Paris city authorities have already taken a number of steps to encourage environmentallyintroduction of a number of

The RATP, the Paris regional transport authority, stands to lose considerable revenue from the decision to make buses. trains and metros free of charge. It generates an average of more than FFr8m a day from the sale of tickets.

The chaos could be increased today by a planned public transavoid driving if at all possible. port strike by two unions.

# Shell to axe 3,000 jobs in European reshuffle

By Robert Corzine

Royal Dntch/Shell yesterday announced a sweeping two-year reorganisation of its \$20bn a year European oil business in a move that is likely to trigger a round of consolidation in petrol retailing cross the continent.

The reorganisation, which will involve the loss of about 3,000 jobs over the next two to three years, could also trigger local price wars as Shell "looks more flercely" at lowering prices in

some locations. The job cuts, about 15 per cent of the European retail workforce, will be concentrated among middle and senior managers with 28 general manager positions disap-pearing in the shake-up.

As many as seven management layers will be cut in some countries, according to Shell officials. They say the reforms will include a new emphasis on customers that could include tha widespread return of petrol pump attendants in Shell's 13,000 European service stations.

Phil Turberville, Shell's director of European oil products, yesterday unveiled new targets for retail market share and profitability. Shell is determined to be one of the top two in terms of market share in the big west European countries and number one in terms of profitability. Mr the company would settle for less than a 20 per cent share in key markets.

Shell also intends to slash its average European retail cost from 6.5 US cents a litre to four cents a litre over the next two

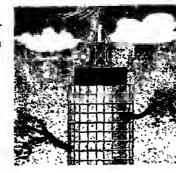
"We urgently need to get our network fit for purpose," said Mr Turberville. "Our business performance has not been adequate and we fell into the trap of taking our customers for granted."

The emphasis of the restructuring will be on boosting the profitability of individual stations as well as on improving the group's per unit cost. Stations that fail

Inside

COMMENT & ANALYSIS

Editorial, Page 17 Capada's nuclear disaster North American news, Page 8 The greezhouse gas challen UK news, Page 10 Access must take blame for a Editorial, Page 17



TECHNOLOGY

EMERGING MARKETS

Green skyscrapers, Page 11

 Mobile abattoirs in Mongolia Commodities, Page 32 Revival plans for Seoul boorse World stock markets, Page 42 Emerging markets at a glance

Global equities, Page 41

Continued on Page 18

FINANCE

Barry Riley, Page 19

Business and the environment, Page 14 · Solar power for the roral poor Business and the environment, Page 14

Less Page 18

International 2-8 Europe 2,3 Info Technology 14 Arts 15 Letters 16 Companies 21-29 Currencies 31 Bonds 30 World Equities 36-42

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# French jobless total creeps up again

by nearly 20,000, or 0.6 per cent, in August, resuming an Socialist-led government in 24.7 per cent. the run-up to a national jobs conference on October 10.

by the employment ministry rise was "a warning" and put the overall number of arguing that the 1.8 per cent people out of work at 3.13m, increase in long-term unemup from 3.11m in July, a ployed suggested the young and industry minister, has month that had brought a were merely being replaced said repeatedly that he television interview on Monshort-lived, 18,000 fall in the in the dole quenes by older

based on International upbeat. "Employment Yesterday's inc. French unemployment rose Labour Office criteria, growth should look healthier ertheless came at an awkremained stable at 125 per cent, with the rate for the recover", said Philip Chitty and his colleagues. In less upward trend and increasing under-25s continuing to edge of ABN Amro Hoare Govett than two weeks the governpressure on Lionel Jospin's down to a still eye-catching in London. "This should

tetchily, with even the mod- in 1998." Figures released yesterday erate CFTC saying the new

as the economy continues to ward moment for Mr Jospin mean that unemployment at which employment issues, ·Trade unions reacted starts to fall more noticeably

> This assessment is more or less in line with the government's own forecast. Dominireduction until the second ter said there was no inten-

Yesterday's increase nev-

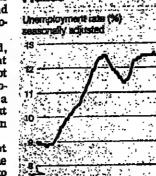
ment will host a conference including the Socialists' pledge to cut the legal working week from 39 to 35 hours without loss of pay, are to be

expected no significant day night, the prime minis-

35 hours: "We will head towards this objective progressively."

But he emphasised. equally, that the current memployment rate was not sustainable and that economic growth of 3 per cent a year for five years would cut the jobless total by only an "Growth Itself is not

enough to create jobs," he said. "So, unless we want to give up the fight, we must try to find other ways of



# Kohl shift on EU and

By Ralph Atkins in Bonn

Turkey

Chancellor Helmut Kobl, marked a significant thawing in Germany's relations with Turkey yesterday by offering positive backing for Ankara's ambition to join the European Union.

His support for "eventual Turkish membership" contrasted with comments earller this year by conservative European leaders, including Mr Kohl, who branded Turkey "not acceptable" as an EU member.

The chancellor's remarks after a meeting in Bonn with Mesut Yilmaz, Turkey's prime minister, highlighted the improvement in relations since the change of government in Ankara in the summer. Mr Yilmaz's pro-secular government replaced an Islamist-led coalition, which resigned under pressure from the mil-

Mr Yilmaz is lobbying for Turkey to ba included in the list of potential future EU members at a European summit in Luxembourg later this year, and spoke yesteraccept a European Commission report in July that rec- By Chrystia Freeland ommended excluding it from | In Moscow described as "technical" rea

The positive atmosphere yesterday was a boost for Mr Yilmaz, and contrasted with the franght meetings between the German government and his predecessor. Necmettin Erbakan.

However, Bonn continues to regard Turkay as some way from meeting the criteria for membership. The foreign ministry yasterday listed human rights, the country's treatment of Kurds, its relations with Greece and the Cyprus problem as Issues still unresolved. The European Commission has recommended only Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus as firstwave membership candi-

Mr Kohl emphasised the importance to the future of Europe of a "sustainable balance" between Greece and Turkey and of an early resolution of the dispute over Cyprus. He offered German support for reform in Turkey but said the country had to make "its own contribution" to meeting the demands of the EU.

For his part Mr Yilmaz signalled a new tone by accepting that Turkey had to taka steps towards bringing its democracy and economy to the level of other EU members. Bnt Mr Yilmaz, who will visit Mr Kohl again in Bonn in December, described his country as "part of the European family".

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# Nato to debate Bosnia peace force

By Alexander Nicoll,

The size and mandate of the international peace-keeping force in Bosnia will be scrutinised by Nato defence ministers during a two-day meeting which begins in the Dutch town of Maastricht today.

The meeting, which is informal and will take no final decisions, will consider whether any reduction in the 36,000-strong force is posslbls before its mandate expires in June 1998. Tha mission had been intended to be cut in stages by 50 per cent during its 18-month term, but this has not been possible becausa civilian authorities have been unable to carry out their functions without the full backing of

the Nato troops. Nato officials said the ministers were likely to consider whether a small reduction is possible before June, partly to help assuage the concerns of the US Congress. But the situation in Bosnia has not become any easier and Nato forces now face the prospect of assisting in the holding of

parliament in November. The Nato Stabilisation Force (SFOR) has recently been drawn into clashes between rival Bosnian Serb factions. Nato will be keen to avoid making any gesture which suggests that SFOR will in future carry out its mission with less robustness, or that pressure to hold to the Dayton peace accord is being relaxed.

Given the inability of civilian anthorities to assume basic functions, the defence ministers are expected to hold preliminary talks on what should happen when SFOR's mandate expires in June. Opposition is likely from within the US Senate and the House of Representatives to any extension of the US military presence. Americans make up a quar-

Sandy Berger, US national week the US had not remains to be decided". excluded retaining troops in Bosnia after mid-1998. The international community would continue to be "whether an international



A German member of the Nato force in Bosnia on patrol in Sarajevo

security adviser, said last role the US might play,

Nato officials said the ministers' talks on this issue would consider the type of presence needed after June. engaged after thet date, but If a continuing military mandate seemed inevitable, clear of assisting in the holding of security presence is part of aims would need to be set. elections to the Bosnian Serb that engagement, and what Britain has said it believes a

tial to success of any international mission in Bosnia. Igor Sargeyav, Russia's

defence minister, will attend some meetings for the first time, and is likely to be pressed to step up military up military liaison offices, in

full US contribution is essen- line with the Nato-Russia

Defence ministers from Poland, Hungary and the Czech Republic, which are due to join Nato in 1999, will be in Maastricht and are expected to discuss the milicontacts, including setting tary requirements for meeting the accession deadline.

# Zyuganov denounces this year, and spoke yester-day of a "change" in Turkey's relations with the EU. He said Turkey could not barbaric' budget

Gennady Zyuganov, Russia's Communist party leader, yesterday lashed out at the Kremlin's draft 1998 budget. describing the document as "barbaric" and "completely unacceptable".

Mr Zyuganov, who controls the largest faction in the parliament and the the legislature, was reacting to an implicit warning from President Boris Yeltsin that he might dissolve the parliament if it did not back his economic programme.

Mr Zyuganov, who was defeated by Mr Yeltsin in a presidential ballot last year, responded with feverish defiance. "It is a matter of secondary importance to us whether the Duma is dissolved or not," Mr Zyuganov said, claiming the Kremlin had brought the country to the brink of "large-scale war and famine".

Mr Zyuganov's bleak scenario is strongly at odds with the robust performance of the Russian stock market

this year, and with the pre- central bank have come to dictions of western and Rus- an agreement with the Intereconomy may at last be on the brink of a revival.

However, analysts said the that is the path they will war of words between the pursue. All this toing and president and the Communist leader was just the firstshot in what was likely to be an intense struggle between Kremlin over the budget this autumn.

"The budget is emerging as a real sore point because there are groups both within the Kremlin and within the Communist party who seek a dissolution of parliament and fresh elections," said Sergei Markov, a professor of political science at Moscow State University.

However, western economists, who have grown accustomed to Russia's annual budget storms, were sceptical about the significance of the parliament's

"Fundamentally," said a Moscow-based western economist, "tha cabinet and the eral government.

about the economic course they are going to take and froing with the narliament means absolutely nothing.

The conflict is expected to begin in earnest next week when parliament will consider the budget in its first reading. A special parliamentary commission convened to consider the budget has already recommended that members reject the The government's task is

further complicated because the budget is unlikely to be approved in its current form, by the Federation Council, the upper house of parliament. Generally more pro-Yeltsin than the communistdominated Duma, the council is composed of regional governors .. ho are already fiercely protesting at Kremlin efforts to reshape the tax system in favour of the fed-

# Bank takes on wartime legacy

By William Hall in Zurich

biggest bank, has taken the unusual step of accepting responsibility for any looted found in the branches of its Argentine retail banking subsidiary, which it is sell-ing to the Bank of Boston. Deutsche Bank was Germany's most powerful bank at the time of the second world war and the indemnification, which came to light in Bank of Boston's press release announcing the \$250m transaction, will reawaken suspicions about the bank's wartime activities.

Many Nazi war criminals, including Adolf Bichmann, one of the architects of the holocaust, fled to Argentina after the war. Eva Peron, wife of Argentina's wartime dictator, has been accused of belping the Nazis shift gold from Europe to safe-havens in Latin America. Deutscha Bank, which has

48 branches mainly in the Buenos Aires area, has told persecution.

Bank of Boston that none of the assets or liabilities it is time activities.

In spite of Dentsche Bank's denial that it has Nazi gold which might be any questionable accounts on the books of its Argentine subsidiary, Bank of Boston has insisted, under the terms of its acquisition contract, that if any such assets or liabilities are identified, Deutsche Bank will assume responsibility for

Paul Volcker, former chairman of the US Federal Reserve, has been appointed chairman of the board of trustees overseeing wartime related claims on dormant Swiss bank accounts. René Rhinow, a Swiss politician, and Israel Singer, secretary general of the World Jewish Congress, have also been appointed trustees. The panel will appoint up to 15 foreign and Swiss arbitrators to adjudicate on claims to assets in Swiss banks related to victims of Nazi

## Turks move to speed privatisation from Erdemir, Turkey's only flat

John Barham talks to a man trying to restore international confidence

ğur Bayar never stops fidgeting. Turkey's 33-year-old privatisation supremo fiddles with his television's remote control and cuff-links, then breaks off of a new government. He says that for a short, cryptic chat on one of his Mr Yilmaz's coalition of conservatwo mobile phones.

Restlessness is an occupational hazard for anyona trying to run Turkey's Privatisation Administration. Bosses come and go with extraordinary speed. Mr Bayar himself ran the department for three months last year after a previous stint as vicechairman. He was reappointed in August when the new secularist coalition of Mesut Yilmaz took power, making him the agency's twelfth head in 10 years.

The precocious, US-educated Mr Bayar has few illusions. Turkey has one of the world's least successful privatisation programmes, having realised less than \$5bn in disposals since its creation in 1986. He says, only half-joking: "I came here at gunpoint. This is costing me physically, financially, mentally."

Revolving-door governments, squabbling coalition partners, public opinion ignorant of privatisation, bureaucratic resistance and the hostility of politicians reluctant to lose an important source of patronage. have all belped discredit privatisation. This is why, well after Latin America and eastern Europe have reformed their public sectors, Turkish state companies continue to dominate the economy. Five of the 10 biggest companies are state-owned.

steel maker. Sale of 34 per cent of the fixed-line telephone monopoly, delayed for four years, is unlikely to materialise before 1998. Mr Bayar recognises that "the world has lost confidence" in Turkish privatisation, but insists that times have changed with the arrival

There are five deals Mr Bayar wants to push through quickly, one of which is to sell the 52 per cent of Erdemir still held by the state. Erdemir, along with the four other top priorities - the national airline, a tives and social democrats works in chain of petrol stations, an oil refi ronmental control systems and "tremendous harmony", and that nery and a petrochemicals company - continues to languish in the public sector years after it was listed for immediate sale.

Each company has its own prob-

Well after Latin America and eastern Europe have reformed their public sectors, state-owned companies continue to dominate the economy in Turkey.

September, they cleared the sale of lems. The airline THY is cursed by a . Offsi chain of service stations is less, eight companies for \$35.5m. But high share price. Perversely for Mr. controversial, but the government these were small, uncontroversial Bayar, THY's share price soars when must first raise the price of petrol to transactions in obscure companies, all of them sold to local investors. The real test of the government's resolve will come later, when Mr Istanbul stock exchange, where 2 per Bayar tries selling big, strategic assets to foreigners.

"there is substantial willingness to

He says even he is surprised at the

speed ministers approve deals. In

The government wants to raise \$4hn-\$4.5bn from privatisations this year, although analysts say this is over-ambitious. It has already received \$1bn from the long-delayed sala of licences for two mobile telephone networks, sold to their current operators. Another \$2.5bn is to come from the transfer of electricity distribution companies and \$300m pany's board.

speculators sense that privatisation prospects have improved, making it harder to sell. Speculators on the trying to reach out to the people to cent of its equity is traded, have pushed its market value to \$2.7bn. However, THY, whose first-half, retail investors will help inform the let profit dropped 96 per cent to public about privatisation and create

net profit dropped 96 per cent to \$2.1m, is unlikely ever to raise its full market value. Explaining to a public opinion deeply suspicious of government corruption that privatising THY is not an elaborate scam will not be easy, especially after Mr Yilmaz placed a relative on the com-

points to a recently privatised cement company that has more than doubled employment, installed enviincreased investment and productiv-

Tupras, the oil refinery, haemorrhages money because the government fixes petrol prices below production costs: Ministers want to avoid the unpopularity of introducing a scheme allowing prices to rise in line with inflation, currently running at almost 90 per cent, rather than in unpredictable fits and starts.

pany, needs urgent investments that the government cannot afford before it is put on sale. Selling the Petrol make company viable.

explain privatisation. He hopes the , sale of Turk Telekom, the telephone company, part of which is aimed at the beginnings of equity-based popular capitalism.

to take the plunge now.

Turkey urgently needs to educate its public about privatisation. The media and politicians focus exclusively on a company's sale price invariably judged as too low rather than on the broader benefits of privatisation. Mr Bayar says these benefits are becoming visible. Hs

Petkim, the petrochemicals com-

Still, Mr Bayar admits, 'no one is

One day Turkey probably will follow the rest of the world by selling off its state enterprises. However, apart from stock market speculators, few are likely to bet that it is ready

# Thomson subsidy deal expected

Another large subsidy to a French company is expected to be approved by the European Commission today, when it clears a French government proposal to inject FFr10.86bn (\$1.84bn) into Thomson Multimedia, the French state-owned consumer electronics group.

Certain commissioners are likely to resist approval of the deal, worried that the Brussels executive is being too lenient on France which has rescued other state-owned companies from bankruptcy. However, one Commission official doubted they would be able to stop approval of the

Conditions attached to aid include an unusual commitment by the company to freeze its share of the European market for classic televisions, video machines and other consumer electronics products until 2000. The parent company of Thomson Multimedia will also have to repay some FFr150m to the French state. The Commission says this was the excess sum paid for Thomson's staka in Crédit Lyonnais, the French state-

owned bank which has also received large subsidies from

Emma Tucker, Brussels

**■ DEUTSCHE TELEKOM** 

### Digital TV takes step forward

The development of digital television in Germany moved a stage forward yesterday when Deutsche Telekom announced it had reached broad agreement with broadcasters for the establishment of a common technological platform for the distribution and access of

programming carried on its networks. Deutsche Telekom said that ZDF, one of the national public sector networks, and two commercial pay-TV networks, DF-1 and Premiere, had agreed the technical specifications for an open "application programming interface" system. This would allow broadcasters to create their own programme guide, a facility viewers will need to negotiate multi-channel digital bouquets.

Broadcasters had feared discrimination if they could not create their own guide, as their programming might be pushed to the end of the channel spectrum. A spokesman for Kirch, tha Munich-based media group which developed the decoding technology, said the agreement offered considerable concessions to broadcasters. However, he expressed concern that ARD, the main public sector network, had yet to give its consent to the deal. Frederick Stildemann, Frankfurt

SINGLE MARKET

### Brussels seeks commitment

The European Commission has berated member states for falling to stick to commitments aimed at plugging gaps in the European Union's single market.

"The time has now come for member states to demonstrate that they are prepared to go beyond fine words by meeting their commitments in practice," said Mario Monti, the single market commissioner. Today is the deadline for a series of promises made by heads of state at the Amsterdam summit in June. These included: notifying the Commission of timetables for implementing outstanding single market directives; designating co-ordination centres for resolving single market problems; establishing contact points to which citizens and businesses can address singla market problems for resolution between the member states. Emma Tucker

### Kinkel favours early UK entry

Klaus Kinkel, Germany's foreign minister, said yesterday, his country would welcome the UK's early participation in the planned European single currency. Commenting on the UK government's increasingly positive attitude towards euro membership, Mr Kinkel said: "We would wish that Britain take part immediately but if that is not possible for political reasons, then as soon as possible afterwards."

His comments came as the German cabinet gave formal approval to June's Amsterdam agreement which paved the way for negotiations on widening the European Union's membership. Mr Kinkel repeated Germany's determination to reform the EU's financial structure in order to curb what Bonn regards as a disproportionately high net German contribution. The Amsterdam treaty is due to be signed tomorrow. Ralph Atkins, Bonn

■ POLISH BUDGET

### Cimoszewicz to pass on draft

Poland's outgoing cabinet will leave a largely technical? draft of the 1998 budget to its successor and let it make political choices on spending, Włodzimierz Cimoszewicz; the prime minister, said yesterday.

Mr Cimoszewicz's ex-communist Democratic Left Alliance (SLD) lost parliamentary elections on September 21 to the Solidarity Election Action (AWS) bloc, which is preparing to lead a new coalition government and take over next month.

Mr Cimoszewicz told public radio that he planned to submit his resignation on October 17, before the first sitting of the new parliament planned for October 20. "I want the finance ministry to prepare a [budget] draft which is technical . . leaving the making of political choices to the new parliamentary majority and future; government," he said. Reuters, Warson

ESTONIAN BANKING DEAL

### Hoiupank buys Russian bank Estonia's third largest bank, Holupank, yesterday took its

first step into Russia's banking market by signing a deal. to buy a small Russian bank, FABA, for EKr7.17m Hojupank said its ownership of FABA was the first time foreign entity had owned 100 per cent of a Russian

did not expect a profit next year. "The first year's priority is not a profit but to have vigorous bank," said Hompank board member. Ang stilli Hompank said that it would invest EK130m in FESA. depending on its development. The Russian central bank gave approval for the transaction on September 18. Reuters, Tallian

bank. It said it expected FABA to break even this year

SOUTH-EAST TURKEY

## Emergency rule to be eased

Purkey will lift emergency rule next week in three out of nine provinces in the south east where it is fighting.

Kurdish rebels, Sukru Sina Gurel, the state minister, said

Emergency rule, one step short of martial law gives the mithorities wide powers to combat a 13 year old Kurdish rebel insurgency in the mountations region.

We have decided to lift amergency fulle in the provinces of Balman, Bingol and Billis as of October 6 and Mr Gurel. He said that perflament would debate life.

issue tomorrow.

Turkey says that it is winning the struggle against the Kurdistan Workers' party (PKK), which took up arises in 1984 to light for self-rule in the mainly Kurdish. outh-east. More than 26,900 people have died in the conflict. About 15,000 Turkish troops, supported by Kurdish militia forces, entered northern fraq last week in an offensive against PKK camps there. Reuters, Ankura

# Mayor of Belgrade dismissed

By Guy Dinmore in Belgrade 67-0. No date has been set for

The disintegration of Serbia's opposition move. ment yesterday claimed February after he and the another political victim when Zoran Djindjic, leader of the Democratic party, was dismissed by his former allies as mayor of Belgrade. Mr Djindjic was removed in a city assembly vote initiated by his former coalition. Serbia, Zajedno briefly prespartner the monarchist ented the most serious chal-Serbian Renewal Movement lenge to more than 50 years (SPO) with the backing of of unbroken communist and the republic's ruling Social- socialist rule in Serbia, but ists, led by Yugoslav President Slobodan Milosevic, and level because of rivalries

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Radical party In the absence of his party's 36 deputies, who boycot trolled. ted the session, the vote went against Mr Diindiic of last week's parliamentary

election of a new mayor. Mr. Djindjic became mayor of the Yogoslav capital in SPO leader, Vuk Draskovic,

led three months of mass street protests to force Mr Milosevic to recognise victories by their opposition Zajedno (Together) coalition in municipal elections across soon feil apart at national the ultra-nationalist Serbian among its leaders. The coalition had held together, however, in city councils it con-

Mr Diindiic led a boycott

the polls. The SPO came a SPO councillors. distant third behind the Socialists and the Radicals in parliament, while Mr

presidential race. Mr Draskovic has since declared his willingness to enter a coalition government with the Socialists if the conditions are right. At a recent press conference a clearly embittered Mr Draskovic refused to utter the name of remember who he is. I won't talk about a man of an non-

existent party," he said. The SPO accused the Belgrada mayor of incompetence and using city funds to

and presidential elections, finance his political actividrawing accusations of ties. Mr Djindjic has in turn betrayal by Mr Draskovic, levelled allegations of misapwho decided to take part in propriation of city money by

Mr Djindjic denounced yesterday's vote as "an act of political barbarity" and skovic lost heavily in the called for fresh elections to the city assembly. Councils controlled by Zajedno in other big cities, such as Nis, may also fall apart. Serbia's voters last week

shared the disillusionment of western governments with Zajedno, ignoring the appeals of Mr Djindjic and his former ally. "I can't Mr Draskovic Instead many voters gave their support to the extremiet Radicals deenening Serbia'a divisions between left and right that date back to the second

The Radicals took 82 of parliament'e 250 seats, robbing the ruling Socialist coalition of its majority. Vojislav Seselj, the Radical party and former paramilitary leader, forced the Socialists' presidential candidate. Zoran Lilic, into a sec-

this Sunday. Mr Djindjic could face political oblivion unless tha next republican government falls apart and is forced to hold fresh elections.

In a separate vote held yesterday the SPO also caused a shake-up in the city-run Studio B television station, which it had accused of bias in its election coverage. The board was changed and its director and editorin-chief were replaced.



# Zoran Diindjic yesterday denounced as 'an act of political barbarity' a vote to remove him as Belgrade's mayor Rame

# Brussels acts on Greek airline Yeltsin pledges to cut

Dra

Accountants are being called in to study the books before decision is taken on Dr35bn capital injection

The European Commist of Dry.9bn in 1995, but its Deloitte & Touche, last year by the transport the international account minister under pressure tants, to take a close look at the books of Olympic Airways before daciding fierce opposition to plans for whether to approve a Dr35bn e management overhaul and (\$125in) capital injection for

the Greek state carrier. .. The capital increase has been held up for almost three years because of mangement upheavals et Olympic, continued government interference in its operations, and a dispute over Drilbn in additional state subsidies paid as a results were "mostly driven bonus to employees who by the financial restructurtook early retirement.

Greece's socialist govern- ment in competitiveness. ment in 1994 accepted a European Union restricturthe lines of those agreed by an inefficient, ineffective with Aer Lingus of Ireland and TAP of Portugal

to write off more than Dr400bn in accomulated debt. Olympic was to shed 1,700 out of 10,000 employees and operate like a private sector company

Olympic made net profits

new chief executive for sion has appointed chief executive was sacked minister under pressure from the company's unions.

Olympic's 17 unions raised cost-cutting measures aimed at ensuring the airline'e survival after domestic rontes are fully opened to competition in 1999.

A report by McKinsey, the US management consultancy, which was submitted to Olympic's board in March, says the sirline's improved ing without any improve-

"Olympic suffers from fundamental problems in all ing plan for Olympic along areas, which are amplified and outdated organisation and management processes. In return for being allowed. Its weak competitive position is reflected in the substantial gap that separates it from other European airlines," the report says.

The government has asked Egon Zehnder, the interna-

Olympic Airways to replace Jordan Karatzas, a Greek airline consultant who took over last year with backing from Olympic's unions.

Mr Karatzas says that Olympic's financial improvement has been sustained under his supervision, with pre-tax profits increasing last year to Dr11.2bn.

He says this year will show e further improvement to Dr14.4bn, because of the opening of new routes in eastern Europe, e bigger market share on popular western European routes and more efficient operation of domestic routes during the summer tourist season.

"I feel confident we can hold our own against foreign competition after liberalisation, whether it's in ground handling at Greek airports or on domestic routes. We bave a competitive edge in the region and it will be hard for competitors to match our resources," Mr Karatzas says.

Independent analysts have questioned Mr Karatzas's tional headhunters, to find a projections. They point out



Olympic's net profit in 1996 came from income brought forward from previous years. Moreover, Olympic has made little progress on costcutting or on boosting productivity.

Despite shedding more than 1,000 staff in 1995-96, Olympic's staffing costs still amount to some 40 per cent of operating expenses, against an average 25 per cent for western European airlines.

Olympic's remaining employees received pay rises of up to 25 per cent this year, while staffing costs for 1997 are projected to rise by more than 30 per cent.

# nuclear material stock

By John Thembill

Russia is to cut its vast tribute to the irreversibility stockpiles of enriched uranium and plutonium and convert three plutoniumproducing military reactors to civilian use by the end of the decade.

In a letter to the Interna-Atomic Energy tionel Agency this week, Boris safe storage facilities. Yeltsin, Russia's president, promised to remove 50 tonnes of plutonium and 500 tonnes of highly enriched uranium from its military programme. Such a move would result in a substantial reduction in the world's

nuclear stockpiles. Nuclear industry experts estimate as much as 230 tonnes of plutonium and 1,750 tonnes of enriched uranium bave been produced for military programmea around the world in the past 50 years. Several US politicians have expressed fears that Rossian nuclear materials could "leak" into the hands of "rogue states" such

global arms proliferation. Mr Yeltsin said Russia's decision would "directly con-

of the nuclear disarmament process, confidence building and global stability". But he said the timetable for removing these materials would depend on how quickly Russie could dismantle its nuclear missiles and build

On a visit to Russia last month, Al Gore, US vice-president, hailed Russia's earlier decision to convert three plutonium-producing reactors to civilian use by 2000. As part of a "plutonium pact", the US agreed to help finance the Russian

conversion programme. "This core conversion programme is a real breakthrough and one that we worked on for a long, long time," Mr Gore said. The US stopped the production of weapons grade phytonium in 1989 and pledged not to change its position.

However, the two sides continue to disagree over Kerin Hope as Libya or Iran, leading to Russia's support for Iran's

civil nuclear energy programme.

US officials claim this technology transfer could enable Iran to build a nuclear weapon, although Russian experts vigorously deny the claim.

 Belarus accused Russia yesterday of using energy debts to blackmail it clouding high-level talks on economic integration between the former Soviet neighbours, Reuters reports from Minsk

"Debts for gas supplies are often used to blackmail and pressurisa the Belarusan president," the official newspaper Sovetskaya Byelorussiya said. "What is most paradoxical is that several officials from the Russian Federation have joined this struggle." The latest volley from Belarus, whose president. Alexander Lukashenko, has attacked Russia's reformist government in the past, overshadowed talks in Moscow later yesterday between its prime minister and Victor Chernomyrdin,

the Russian premier,

Schneider banker concedes errors

By Grahem Bowley in Frankfurt

Germany was yesterday treated to the rare sight of the cross-examination of one of its most powerful bankers as Hilmar Kopper, former Deutsche Bank chief, sought to distance the bank from the collapse of the Jürgen Schneider property empire three years ago.

Mr Kopper conceded that "inexcusable" errors were made in checking loans to Mr Schneider, whose business collapsed in 1994 leaving debts of more than DM5bn (\$2.8bn). But he blamed other banks for continuing to lend to the former property tycoon after Deut-

sche had frozen its lending. Yesterday marked the first time that the long-running trial of Mr Schneider has reached the very top of the bank perhaps blamed most for fuelling the reckless expansion of Mr Schneider's

property business Mr Kopper, who was Deutsche's chief executive at the time and is now head of its supervisory board, drew particular scorn from the German public after the collapse when he described as "peanuts" the debts to small businesses such as builders and craftsmen that Mr

Schneider left behind. Mr Kopper said Deutsche Bank had decided in 1991 to cap its lending to Mr Schneider at DM1.2bn. He said an internal review had revealed "inexcusable shortcomings". but he insisted the manage ment board was unaware of

"After we stopped, other banks continued to lend." he

told the Frankfurt court. German prosecutors allege Mr Schneider falsified documents and exaggerated rental income to dupe banks into making bigger loans to pay for his business, which built luxury hotels, shopping centres and offices across the newly unified Germany. Mr Schneider fled Germany just before his com-



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By George Graham, Banking Editor

A single global system to handle the \$2,400hn of payments that flow through markets every day appears the foreign exchange have paid over its side of a now to be in sight after three market." of the groups struggling to tackle the problem agreed to

CLS Services, set up hy 20 of the world's largest banks to provide a foreign exchange clearing bank, will take over Echo and Multinet.

to banks.

single industry facility for the reduction of settlement systems are scheme to central banks and

regulators. Central banks have

have been competing to offer increasingly worried about in 1974, the shock to the central hankers awake at idea that hanks in most multilateral netting systems the risks banks are incurring world financial system could night. "The merger will create a exchange trades.

Because national payment exchange traded daily. not dollars in return.

If its trading counterparty provided much of the should happen to collapse in some calculations eliminate impetus for the creation of the intervening hours, as 95 per cent of the risk. the new settlement system happened when Germany's the remaining 5 per cent contract for differences. The two rival institutions which because they have grown Bankhaus Herstatt defaulted is still amough to keep

in settling their foreign be tremendous, because of the sheer volumes of foreign

The Echo and Multinet the foreign exchange and pre-settlement risk in synchronised, a bank may netting systems seek to deal can he paid over of settlement. reduce this settlement risk the three foreign exchange deal in, by offsetting the gross companies said yesterday as say, D-Marks, hours or even amounts banks owe each solve the settlement plus." they prepared to present the days before it knows that it other, leaving them to settle has received the equivalent up with a much smaller net

. But although they can by

The CLS system aims to go further by creating a clearing house where both legs of a foreign exchange simultaneously. In theory, at least, that should entirely

Some banks are still arguing for other solutions. Chase Manhattan has been working on the development derivative is based on the

the full value of the foreign exchangs, but only the change in value between the time of the deal and the time

Other banks favour a system known as "netting

But the combination of CLS with Echo and Multinet will have the weight of most of the world's largest banks behind it, and is expected to of a derivative called a come out as the preferred solution for most foreign

Oct 6: first round of talks to deal with outstanding

### **NEWS DIGEST**

# More die in Algeria

mores altu

Eizenstat

steps aside

At least 67 people have been killed in four new massacres in Algeria, according to newspaper reports yesterday. In the worst massacre 48 people were killed in the village of Sidi Serhane, near the town of Blida about 20km south of Algiers, early on Monday morning.

The other victims were slaughtered in three separate incidents in suburbs of the capital, which are increasingly prone to the kind of barbarity previously associated only with remote villages, where security force presence is

France has signalled its growing anxiety about the seeming inability of President Liamine Zeroual's government's to stop the violence, hut said it was not preparing

In an interview on French television, Lionel Jospin, prime minister, criticised both the Algiers authorities and the Islamic militants for the bloodshed of the five-year conflict, which has claimed more than 60,000 lives.

"We are confronted with a fanatical and violent opposition fighting against a regime which, in one way, has recourse itself to violence and the power of the state; so we have to be careful." See Editorial Comment

#### ZAMBIAN STRIKE

### Government offices paralysed

Operations in most Zambian government departments were paralysed yesterday as a three-day strike called by

the country's two civil service unions intensified. Union officials said the strike, which started in the capital Lusaka on Monday, had spread to all nine provinces. The workers are pressing for better conditions of service and higher wages, although they have not made specific wage demands.

Zambian civil servants are paid between \$70 and \$115

Work at most government departments in the capital had slowed to a near-standstill and residents said it was the same in other parts of the country, including the northern Copperbelt province - the country's industrial

### TANZANIAN DROUGHT

### UN asked for more food aid

The United Nations food agency in Tanzania has asked its headquarters for 76,000 tonnes of emergency food aid to offset the effects of drought, a senior aid official said yes-The request to the World Food Programme's (WFP)

Rome headquarters follows an appeal by Benjamin Mkapa, Tanzanian president, for 92,000 tonnes of food aid to reduce what he said was a total deficit for 1997/98 of

He said the remainder would be bought on the open

Western missions said earlier they had taken Mr Mkapa's appeal seriously and aid pledges would be confirmed once the WFP had approved the emergency operation. But privately some senior diplomats and aid officials expressed reservations over the tone of Mr Mkapa's appeal, saying it reflected Tanzania's apparent reluctance Reuters. Dar es Salaam

THE STARS PROGRAMME STARS 1 PLC

# Albright presses twin-track path to peace

Judy Dempsey reports on the secretary of Mideast peace back on the agenda state's formula for reviving Mideast talks

announced the resumption of Israeli-Palestinian peace talks this week she was careful to damp expectations of a quick breakthrough.

It was "a small step forward to arrest the downward spiral," she said. She is acutely aware of the difficulties ahead, especially in building confidence and trust between the two sides.

The formula for restarting the talks, engineered by Mrs Albright and Dennis Ross. US special Middle East envoy, is based oo a twotrack approach. It is designed to pnt the Oslo peace accords - particularly the 1995 Interim Agreement which agreed oo limited autonomy for self-ruled Palestinian areas - back on

These negotiations, which will start next Monday, are to be followed by talks in the US a week later which will pave the way for opening the final settlement negotiations. These will focus on the future status of Jerusalem, the Jewish settlements. Israel's future borders and Palestinian refugees.

This strategy goes some way toward addressing Palestinian fears - but not meeting all their demands Albright announcing 'a for restarting the talks.

hen Madeleine suspended six mooths ago Mrs Albright or from Israel Albright, US secre- when Israel started huilding was a firm commitment to Har Homa in occupied Arah east Jerusalem

The Palestinians were US supported calls by Benismin Netanyahu, the Israeli prime minister, for jumping directly to the final status talks, their negotiating position would he seriously

Palestinians believed that many of the outstanding commitments in the Interim Agreement would be shelved or subsumed in these

But what the Palestinians failed to ohtain from either

talks.



'small step forward'

tary of state, a new Jewish settlement at stop building new settlements or expanding existing ones, their main condition for restarting the talks. always concerned that if the Instead, the "time-out" on settlements, security co-operation and the long-delayed Israeli troop withdrawals from the West Bank will be discussed in Washington. Israel has already said it

made no concessions on Mrs Albright's requested "time-out" on settlements. Yesterday, Mr Netanyahu said there would be no change in this policy. "You know we are building in the settlements, are enabling natural growth of the settlements, and I don't intend to change our policy."

Shmuel Sandler, Middle East expert at Bar-flan university, commented: "It is clear the Palestinians did not get what they wanted, but what options do they have? They know they have to deal with Mr Netanyahu and violence is no longer an option. Their only hops is that the US will press Israel to implement the interim

The accords are critical building blocks for a Palestinian state. They include the opening of an airport and sea port in Gaza, vital for breaking Israel's stranglehold on the Palestinian



prisoners on which Israel is expected to take a very hard Yet even though the Palestinians did oot get commitments from Israel to halt its settlement policy, or a specific timetable on Israeli pullbacks, Israel did not get

all it wanted either.

The fact that the US is now mediating - and ia directly involved in the talks - is exactly the kind of involvement Israel did not want in the first place. "Maybe this will give the Palestinians some confidsoce since Israel's actions

will be carefully monitored by Washington even though Netanyahu is quite capable of snubbing Albright," a government official said. Ironically, Mr Netanyahu

could well capitalise on commitment to free political Washington's involvement for the simple reason that the prime minister is already setting his sights on winning the next election, due in three years' time. "If Netanyahu wants to win the election, he has to

deliver on the peace process - and soon," said Martin Kramer, analyst at Tel Aviv University, "And since peace talks take time, he will need to show some results by the end of next year when he gets his re-election campaign off the ground."

Mr Netanyahu's advisers admit that living up to the Oslo accords and placating They know that now."

the right wing and nationalists in his coalition will be difficult to reconcile. The nationalists will resist any further Israeli troop withdrawals as well as any "time-out" on settlements.

But his advisers also add that without co-operation from Yassir Arafat, president of the Palestinian Authority, on security issues and fighting terrorism, Mr Netanyahu has little chance of winning over the electorste on his platform of "peace with security"

"It will be a difficult balancing act," said Mr Sandler. "But I think Mrs Albright had made her point to both leaders, however unequal the partnership. They need each other to attain their goals. For the moment, both lesders are here to stay.

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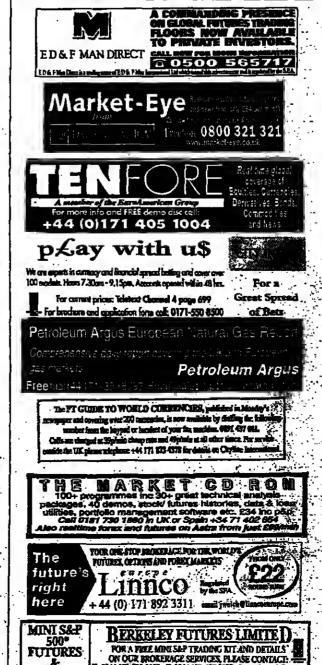


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MARGINED FOREIGN EXCHANGE





By Nancy Dunne

President Bill Clinton'a lican, and Senator Ernest picked up momentum yester-

hearing, Charlene Barshefsky. US trade representative, deals. resterated that the US economy could not continue to grow without trade expan-

stressed, but simply that Congress would promise to approve or turn down trade greements without amend-

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But behind the scenes, she Senate Republicans to Helms of North Carolina. remove most of the contentions references to labour and environment which have threatened to drain

support from the majority. Meanwhile, fast-track of the opposition is arguing opponents were gathering that fast-track is outdated forces: Senator Byron Dorgan, a North Dakota Democrat planned a news conference to announce formation of a bipartisan committee to block fast track.

Scheduled to appear with him were Senator Ban Campbell, a Colorado Repubefforts to obtain authority Hollings, a South Carolina from Congress to negotiate Democrat. They were expecnew trade agreements ted to call for a debate on the effectiveness of the president's trade policy before In a House subcommittee giving him authority to negotiate new free trade

The administration's principal goal in the Senate is to head off a filibuster, which could talk the fast-track bill Giving the president fast- to death. Sixty votes are track negotiating authority needed to cut off a filibuster. would not mean automatic. The Senate is now split, with approval of trade deals, she 55 Republicans and 45 Demo-

Besides Senator Campbell at least two other Republicans can be expected to join the opposition: Senators Strom Thurmond of South has reportedly agreed with Carolina and Senator Jesse

"Some of these Republicans feel about fast-track as Dracula feels about garlic," said Ms Lori Wallach of Public Citizen, which with many and not the best way to set trade policy. The administration has to attract at least eight Democrats with its weakened language on trade and environment.

Price will fall today as Tokyo makes tax changes in line with a WTO ruling

# on fast-track Whisky producers look to Japan sales leap

The price of whisky in Japan will fall today as the government implements a series of tax changes in line with a ruling by the World Trade Organisation.

Tax on whisky is being cut by 44 per cent from today, to be followed by a further reduction next year. Tax on the local spirit, shochu, is being increased in three steps to come in line with whisky tax rates by 2001. Whisky producers have

been preparing to take advantage of the move in an effort to claw hack their share of a market where whisky consumption has declined amid a shift away from spirits to mixed drinks, a decline in whisky's status and a growing choice of alcobolic beverages. Scotch whisky producers

sales in one of their most valuable export markets in the world. Japan, which imported £128.86m (\$206m) of scotch whisky last year, was the fourth largest export market for the industry,

according to the Scotch Whisky Association (SWA). "We saw sales leap the last

are hoping for an increase in



1989," says Campbell Evans of the SWA. The industry, which has already enjoyed a 12 per cent increase in export values in the first half of the year, is looking about 25 per cent after the tax cut, taking export values to £150m-£160m.

whisky producer, placed a priced at Y980 (\$3.10). full-page advertisment in national newspapers yesterday pointing out the difference in price that the tax reforms will make. Suntory is reducing the price of its 10-year Reserve whiskey from Y2,790 (\$23.08) to Y2,350 (\$19.44) while the bottom-of-

Suntory, Japan'a largest the range New Red will be

with its low-price bottle, expects the reduction in price to boost sales by about Japanese shochu makers

The company, which is targeting first-time buyers 20 per cent in volume terms.

expect to be hit by higher

taxes on their spirit. Takara

Shuzo, the largest national brand shocku producer, which also makes soy sauce, says shochu sales could slump 5-15 per cent because of the tax changes. Shochu also faces competition from Korean shochu, which already has an estimated 10

per cent of the market. Smaller shochu brewers say that higher prices will hurt overall consumption volumes since shochu drinkers tend to be lower-income

consumers sensitive to price. Even brewers of traditional, refined rice wine, or sake, are concerned. Although sake is not subject to higher taxes, "the change in the tax regime will have a major impact on the overall consumption pattern," points out Yoshivuki Masuoka, project manager at the

Even without lower whisky prices, sake brewers have struggled to keep consumers interested in a spirit that has deep historic and cultural roots.

Sake sales have fallen from 1.7m kilolitres in 1975 to 1.3m kilolitres last year, while its share of the overall market has dropped from 27.4 per cent to 13 per cent

Young people in particular are rejecting sake in favour of beer, shochu, whisky and wine, Mr Masuoka notes. "I don't think people are movmany people have never developed a taste for it," he

To add to their woes, sake brewers face the ageing of skilled workers they need to make the traditional spirit The average age of these toji

To meet the increased competition, Sari, a discount liquor store, is developing its seas, where lower costs will enable it to absorb the higher taxes. It has set up ioint ventures in Vietnam and the US.

Sake brewers are also increasingly eyeing the overseas market, where distribution problems and lack of know-how bave hampered expansion so far. Some large sake producers have already opened facilities and set up distribution routes in the US and the Japan Sake Brewers Association is studying possibilities in overseas markets, particularly in other parts of Asia.

### **NEWS DIGEST**

# **Eizenstat** steps aside

Stuart Eizenstat. US undersecretary of state, has withdrawn from further involvement in the proposed British Airways-American Airlines alliance after saying this month he hoped the link-up would be approved.

Mr Eizenstat's remarks, made in Brussels, led to speculation that the US government had decided to throw its weight behind the alliance, which has yet to win regulatory approval. Airlines opposed to the albance criticised the remarks in documents filed with the US Department

of Transportation. in Brussels, Mr Eizenstat said he had told Karel Van Miert, the European Union competition commissioner, that it would be wrong to impose such heavy conditions on the alliance that it was no longer worthwhile.

He said: We expressed hope that the merger would be anisroved and that conditions would not be imposed that the merger impossible, or that acted in ways that made it more difficult. If not impossible, to achieve an open skies agreement with Britain." However, in a letter to Rodney Slater, the US transportation secretary, Mr Rivenstat said: "I want to assure you that I expressed no such opinion to Mr Van Miert or to any other EU official."

He said he had told Mr Van Miert that the US wanted to conclude an open skies accord with the UK. But he added: I expressed no views on the position that the Commission, let alone the Department of Transportation, should take on the applications for approval of the alliance." However, Mr Kizenstat said he had now decided not to

advise any branch of the administration on the alliance. until the transportation department had made a final decision. : Michael Skapinker, Aerospace Correspondent

### ■ NEW ZEALAND BUTTER

UK drops some fraud charges The UK has dropped five out of seven charges of fraud against officials of the New Zealand Dairy Board relating to imports of butter into Europe.

The charges, brought by Customs & Excise in April, were denied by the six executives who work for the dairy board's subsidiary companies in the UK. The case raised trade tensions between New Zealand and the European

Sir Dryden Spring, chairman of the dairy board, a government agency which owns Anchor Foods, said yester-day he was delighted at the decision.

usy ne was denguted at the decision.

Under a trade agreement, New Zealand can export

76,000 tonnes of butter a year to the EU at preferential

rates of duty, so long as it meets certain conditions. Most
of this butter goes to the UK. Butter within the EU quota
pays a tariff of Ecrises (\$963) a tonne, while that outside pays a tariff of Ecuses (\$963) a tonne, while that ourside the quots faces a levy of Ecu2.060 a tonne. The charges that have been dropped related to alleged excess milk fat content of some shipments of butter. The fat content mist be between 80 per cent and 82 per cent. The two remaining charges allege the executives paid a lower rate of import dety than they should have in 1995 on two parcels of allower 1995 tonners. Six Decider south that was no basis. of about 300 tonnes. Sir Dryden said there was no basis for the remaining charges. Alson Maitland, London for the remaining charges.

### CHINESE RAILWAY PROJECT

### ADB approves \$200m loan

The Asian Development Bank (ADB) said yesterday it had approved a \$200m lean for a railway project in China. The Manila based ADB said the Shenmu to north Yanan railway would free up large reserves of low-sulphur coal in Shaanxi, a land-locked province. It would create 870,000 jobs by 2005 and reduce poverty in a region where the lack of transport links has been a constraint to develop-

The cost of the project, due for completion in 2002, is estimated at \$796m. The ADB loan is repayable over 25

### BANGLADESHI GAS

# Bidders to enter fresh talks

Bangladesh has dropped plans to announce the winners of an international bidding round to develop the country's gas fields and instead has decided to enter into negotiations with all the companies involved.

Officials have prepared letters inviting bidding compapies to improve their offers. There are no winners. We spe going to talk to all of them, said Nootudin Khan, the oil minister. A total of 21 companies submitted 36 proposess for 12 blocks in the central and western parts of the country, Chevron, Texaco, Mobil, Shell and Unocal are manning the hidding companies. Three blocks attracted no interest at all, but some of the others attracted many pro-

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# Fed leaves US interest rates alone

By Gerard Baker in Washington

The Federal Reserve opted to leave interest rates unchanged yesterday, content for the moment to allow the robust but so far inflation-free expansion in the US to continue.

The central bank's open market committee left the Fed funds target rate at 5.5 per cent, the fourth consecutive meeting at which it has voted for no change in monetary

The rate was last raised in March by a quarter of a percentage point, rates and strong growth in per-

but since then, strong demand sonal incomes. Sales fell by 2.2 per months to August they were 3.3 growth has not fed through into higher inflation and the Fed has decided not to restrain it.

Financial market economists had been almost unanimous in expecting no change in policy at yesterday's meeting and markets were largely unmoved by the news. The Fed's decision came as two reports provided conflicting signals about the economy over the summer.

The Commerce Department said new home sales declined in August, desplte lower mortgage

adjusted annual rate of 800,000, following a 0.4 per cent rise in July.

It was the steepest fall for four months and was heavily concentrated in the MidWest and western US, where heavy declines outweighed increases in the north-east and the south.

The fall in sales was a surprise to most economists, given the overall favourable financial and economic background for homebuyers. For most of the year sales have been on

cent in August to a seasonally per cent higher than in the previous three months.

> The August figure alone may not provide a true picture of the strength of the housing market. The Commerce Department said adjustments made for seasonal factors in calculating the figures made them somewhat unreliable. "It takes four months to establish a trend for new houses sold," ths report said. The median sales price paid for a new house in August was \$145,000, down slightly from the previous month, but 6 per

cent higher than a year earlier. In a separate report, the Conference Board, a private sector research group, said consumer confidence rose again last month.

The Board's consumer confidence index rose by 0.1 percentage points to 128.6, just below the 30year high of 129.9 recorded in June. Confidence about current conditions deteriorated slightly at the same time as expectations advanced. Consumers remained optimistic about job prospects, with 36 per cent of respondents saying jobs were "plentiful".

number of a safety valves at

Pickering had not been

resources to be on top of all

the systems in their plants,"

he said. "What we do is expect Ontario Hydro to

keep on top of everything

and we andit their processes

to make sure they're on top

of everything."
However, he described a

situation over the past years

where the regulator could

not get a grip on what was

happening at Ontario Hydro.

maintenance were not what

they were meant to be, but

the reactors were safe," he

and things would improve a

bit and then go down again.

We made a lot of grumbling

noises and seot nasty

But the events of the past

summer have been a water-shed. He warned if Ontario

Hydro did not turn around

the 12 stations it planned to

operate, the AECB hoard

He also said a new atomic

energy act passed by the

Canadian parliament earlier

this year would give the reg-

ulator a better legal basis for

operations. For the first time

it will have direct powers

over health and safety. And

it will be able to seek from

the courts fines of up to

C\$1m a day (compared with

will shut reactors down."

letters.

We knew the standards of

"We would intervene

'We don't have the

maintained for 15 years.

### NEWS DIGEST

# Court blow to Toys R Us

A federal judge vesterday upheld charges that Toys R Us. the world's biggest toy retailer, had used its clout to stiffe competition for sales of Barbie dolis and other best selling toys in the US by keeping them out of rival stores.

ULTRA-CALTISE

FINANCIALI

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OF THE WORL

The judge said the company illegally pressed manufacturers not to sell their most popular toys to membership warehouse clubs because the clubs were selling the toys at lower prices than its own stores. Toys R Us said it was disappointed by the ruling and would appeal. "We're confident that when the process reaches its conclusion that the courts will conclude Toys R Us has always competed fairly and in the consumer's

best interest," it said. Toys R Us is the biggest toy retailer in the US, with 20 per cent of the market, but has faced a growing challenge to its reputation for low prices from discount store chains. Richard Tomirins, New York and warehouse clubs.

**■ CALIFORNIA RULING** 

### Tobacco loses legal shield

Tobacco has lost a legal shield which has protected cigarette makers from product liability suits io California for the past 10 years. Individuals may now sue the industry for ailments caused by smoking, under a bill signed into law by Pete Wilson, state governor,

Legislators said litigants would be able to stake a claim. on a portion of the proposed \$368bn national settlement between tobacco companies and state attorneys general. However, because the law is not retroactive, claims for smoking-related illnesses which developed between 1987 and 1997 will not be admissible, state officials say.

Tobacco won its protection in a tort reform programme adopted in 1987 which ruled that manufacturers of products "commonly known" to be inherently dangerous including sugar, alcohol, hutter and castor oil - were to be made immune from personal injury suits based on product liability claims. But the new bill gained support in the Californian assembly following claims that the tobacco industry manipulated the nicotine content of some products and misled the public about the dangers of Christopher Parkes, Los Angeles

CANADIAN GDP

### Manufacturing output surges

Canada's real gross domestic product at factor cost rose 0.8 per cent in July, compared with an expected 0.5 per cent increase, on surging growth in manufacturing industries, Real GDP rose to C\$575bn (US\$414bn) from June's revised C\$571bn and increased 4.4 per cent from July last year. Economic output has increased an average of 0.4 per cent per month this year, compared with 0.2 per cent last year.

The July figures have raised expectations for third-quarter GDP output and have prompted speculation that the Bank of Canada will announce a rate rise within a month to ward off inflationary pressures. Consumer prices, however, remain with the 1-8 per cent target stablished by the central bank.

Manufacturing output rose 1.7 per cent, led by a 4.4 per cent gain in electrical and electronic equipment and a 5.8 per cent jump in primary metals output. Sizeable gains were also recorded in transportation equipment, metal products and wood products. Scott Morrison. Vancouver

### ■ HAITI PRIVATISATION

### Flour mill bid accepted

The controversial privatisation of Haiti's state enterprises has started with government acceptance of a \$9m bid from a consortium of US and local companies for a 70 per cent stake in the country's flour mill. Continental Grain of New York City, Seaboard of Kansas and Unifinance, a Haitian bank, are negotiating to operate the mill, in which the government is retaining a 30 per cent interest.

Politicians, including several legislators and the country's former president, object to the privatisation programme, which includes the telecommunications and power companies, a cement plant, two banks and the main airport and seaport. Canute James: Kingston

**■ PUERTO RICO PHONES** 

### Strike over sell-off proposal

Unions representing several thousand state workers in Puerto Rico have called a general strike for today to protest at a controversial plan to privatise the island's telephone company. They want the sale called off and the company kept as a state enterprise. The strike comes four days after several thousand demonstrators converged on the headquarters of the Puerto Rico Telephone Company to support the privatisation.

The company has had a monopoly on telephone services for 22 years, and its divestment has been influenced by decisions by the US Congress to deregulate telecoms . services in the US, opening companies to competition.

Puerto Rico is a US possession. Canade James, Kingston

# Lawsuits looming

drugs By John Authors in New York

anti-fat

over

Drug maoufacturers are building their defences for potentially protracted legal action, following class action lawsuits in several states over the sale of anti-obesity drugs, withdrawn from sale last month amid growing evidence they may cause beart valve failure.

Lawyers bringing the actions said the total costs could amount to more than \$1bn, with American Home Products likely to fact the greatest payouts. Other companies affected include A.H. Rohins and Interneuron executive. He bopes to Pharmaceuticals.

Lawsuits have been filed against 12 pbarmaceutical makers in Florida, New York and New Jersey, while the companies say they have also received several suits on behalf of individuals.

But New Jersey-based American Home Products March the company will said yesterday: "We have defended and will continue to defend any such lawsuits. We believe the company has acted responsibly in the marketing of these products, according to Food and Drug Administration guidelines."

known as "Fen/Phen" and include dexfenfluramine get to be a first-class opera-(marketed as Redux) and fenfluramine (marketed as Pondimin). They were voluntarily withdrawn from sale last month, at the request of the FDA. Research published by the New England Journal of Medicine in August showed a much higher percentage of abnormal heart valve readings among patients taking the drugs.

Seth Lesser, an attorney at the New York law firm of Bernstein Litowitz Berger & Grossman, which has filed lawsuits in three states already, said there had been an international study of the pulmonary effects of the drugs in November 1995 which showed that people taking these drugs in combination might be put at risk.

His firm is bringing the action on behalf of all people in the US who have bought and used the drugs since

that date. American Home Products' share price was affected by the news yesterday, slipping over I per cent in morning

# Big shake-up under way at N-plant company after safety doubts

# Nuclear shockwaves in Canada

early two months after a report cast grave doubt on Ontario Hydro's ability to manage its nuclear power plants, Canada's largest utility is going through the higgest shake-up in its 90-year history.

Most of the senior managers at Ontario Hydro Nuclear, the company that operates 19 nuclear power stations, have been replaced and its 8,400 employees are being retrained as part of a C\$1.6bn (US\$1.15bn) investment ln its nuclear operations.

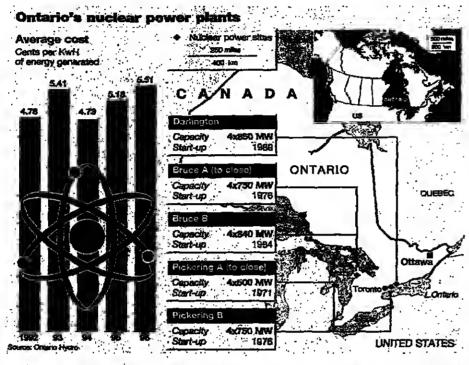
William Farlinger, chairman of Ontario Hydro, who assumed the title of president and chief executive after Allan Kupcis resigned m August, has hired headhunters to find a new chief anoounced the successful candidate before the end of this year. An independent report by US nuclear industry consultants found Ontario Hydro did not have the management resources

bave shut down seven nf 19 operating nuclear stations. Mr Farlinger says the company has "to rework how we make electricity in a nuclear plant". This will require defining the work of each person who works in a The diet drugs at issue are | nuclear station in detail. "If ynu do that long enough you

or competence to operate all

its stations safely. By next

long way to go hefore it always been optional." achieves world-class performance. The company bas Farlinger's words, for some of Canada's civilian nuclear



tion of its nuclear plants expected to fall below 60 per cent this year from 73 per cent in 1993. A study of work practices at the company found that "wrench time" (the amount of time a worker actually spends doing his job) accounted for just 17 per cent of an average work day.

More worrying, as Jim Harvie, director general of reactor safety at Canada's Atomic Energy Control Board (AECB), observed: "There has never been an But Ontario Hydro has a lawing procedures; it's tor.

about a company that hy Hydro that it would raise its

regarded as one of the world's leading utilities.
Since the Three Mile Island accident in the US in 1979 and the 1986 Chernobyl accident in Ukraine, safety has been the byword of modern nuclear operations. The industry worldwide has spent millions of dollars in training staff in the safe operations of reactors and in

operations. Yet last week Mr Harvie admitted the AECB had accommodated Ontario Hydro's failure to make good ethic at Ontario Hydro of fol- past promises to the regula-

In 1989 AECB extracted an

actively reducing errors in

expertise, it had deteriorated. A pipe at one of the reactors at the Pickering nuclear facility broke - an incident serious enough to trigger the plant's emergency core cooling system. his current duties only last year, said the emergency core cooling system worked

improving its operational

public safety.

From a report published

by Ontario Hydro in August by the Nnclear Performance Advisory Group, a private US nuclear industry consultant, the regulator identified This is a serious claim agreement from Ontario more than 400 findings warranting its immediate scrubeen "going downhill," in Mr itself constitutes 90 per cent operational standards to the tiny. In one example, the US Farlinger's words, for some of Canada's civilian nuclear "highest level of the nuclear team found the regulator years with capacity utilisa- power industry and was industry". By 1994, far from was unaware that one of a

Mr Harvie, who assumed

just C\$10,000 under old legislation) for companies in violation of their operating

"I think there will be some lessons for us to learn from this that will make us change the way we do things," says Mr Harvie.

Simon Holberton

# Separatism fever fading in Quebec

By Scott Morrison in Vancouver

separatist Quebec's movement appears to be losing momentum, only months after sovereignty dominated a bitter federal election campaign, polarising Canadian public opinion and inflaming the province's voters.

Receot polls indicate a growing number of Queheckers would support a new unity initiative rather than secede. The polls were taken after Canada's provincial and territorial leaders, except Lucien Boncbard.

Quebec's premier, penned a for Mr Manning from west-document in Calgary urging ern voters appears not to renewed efforts to resolve the issue. In one poll, 47 per cent of respondents opted for renewed federalism under the "Calgary Declaration". which noted Quebec's "unique character", while 36 per cent chose sovereignty.

The polls mark a etunning reversal from the campaign, during which Preston Manning, the Reform party leader who now heads the official opposition, fuelled separatist seotiment with the province. Strong support

have been lost on the Liberal party, which has since warned the province about the dire economic consequences of separation. Federalists have ruled out

a loose association with a separate Quehec and have suggested anglopbone areas of the province might vote to secede from an independent Quebec to remain in Canada. Mr Bouchard flew to Paris this week, where he secured a pledge from President Jachis tough-love approach to ques Chirac that France the key role Mr. Bouchard would recognise Quebec sov-

for Mr Manning from west-ereignty if separatists won a feelings before the previous ern voters appears not to future referendum. Separat-campaign, his current ists came within one percentage point of winning a 1995 referendum and Mr Bouchard has vowed to hold another if he is re-elected in the next provincial election, expected in late 1998.

International diplomacy will do little to appease Quebec voters, who are growing impatient with Mr Bonchard's deficit-cutting policies, which have trimmed bealth care, edocation and other social spending. Given played in stirring separatist

campaign, his current decline in popularity spells trouble for the movement. To keep its momentum. the federal government must

be seen in the province to be seeking a political alternative addressing Quebeckers' concerns about safeguarding their language and culture. But Ottawa must avoid issues that could inflame the province's voters. The separatists once again need to rouse nationalist emotions. and spark debate during a public consultation process scheduled for next spring.



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speaking, of course.



# HK hit by fall in tourism after handover

By John Ridding in Hong Kong

A sharp fall in tourism since Hong Kong's return to Chinese sovereignty on July 1 is taking its toll on the territory's aviation, retail and hotel businesses, confounding as much as we thought," he added, expectations that 1997 would prove a bumper year for them.

Figures released by the Hong 93.5 per cent last year. Kong Tourist Association (HKTA) yesterday showed a 24 per cent fall in the number of visitors in de facto flag carrier, issuing a blunt August, compared with the same period last year.

The decline was less sharp than in July, when the drop was 35 per said David Turnbull, managing cent. But it added to a feeling of gloom among many in the sector. anxious that regional currency tur- ing" and bemoaned "the worst situ-

By Paul Abrahams in Tokyo

Japan is teetering on the brink of recession, according

to data published yesterday.

The country's economy

has ao deteriorated since

April's decision to raise sales

taxes that one of Japan's big

four securities houses is pre-

dicting negative growth in

gross domestic product for

this financial year. Nikko

Securities yesterday down-

graded its forecasts, arguing

the economy would contract

0.1 per cent. If the economy

did shrink, it would be the

first time Japan had nega-

tive GDP growth in 23 years.

duction figures, released yes-

terday, were worse than

expected as automotive man-

ufacturers attempted to cut

overblown inventories by

Agency, has conceded Japan

is likely to undershoot the

government's forecast of 19

per cent GDP growth this

financial year. Koji Omi,

director general, admitted:

"It seems to be rather diffi-

cult to achieve the target."

Japan's GDP shrank 2.9 per

cent during first quarter of

the financial year, which

However, in spite of the

ment remained insistent it cate the economy might hold

weak economy, the govern-

would not loosen fiscal pol-

The Economic Planning

slashing output.

ended in June.

August's industrial pro-

"August was better than July, shares in the airline fell almost 7 executive director of the HKTA, anyway, after the record year in but then July was a disaster," said per cent to HE\$10.85 yesterday. Jean-Marie Leclercq, general manager of the Nikko Hotel. "We expected a pick-up in September. but the situation has not improved citing occupancy rates of 73 per cent for the month, compared with

Worse hit have been airlines, with Cathay Pacific, the territory's doubt one of the toughest periods we have faced for many years," director, in a letter to staff. He described load factors as "appall-

turn in tourism, especially from Japan".

July, the number of Japanese visitors fell 24 per cent to 931,000. reflecting depressed spending warning this week. "It is without power and some concerns about post-colonial Hong Kong. In July alone, the fall was 62 per cent. One traveller recalls seeing just 12 other passengers on a recent flight from Tokyo.

Noting that the decline in visitor across the region. moil is compounding a predicted atton for passenger revenue in numbers in August was less than decades". Following the warning. the decline in July, Amy Chan, a downturn was to be expected says, is one of the factors.

per cent year-on-year, in line

with trends. But in real

terms, wages fell because

inflation is running at about

2 per cent. Moreover, over-

time dropped 2.1 per cent in

August compared with the

While consumption may

be bottoming out, industrial

production remained weak.

Output fell 2.2 per cent from

cut domestic production 10.4

per cent. Despite the output

cuts, overall inventories rose

0.2 per cent, as electrical

machinery manufacturers'

same month last year.

month-on-month, reversing July, as the motor industry

ING Barings. Basic salaries stocks increased 5.1 per cent

Economists in Tokyo take a first look at August industrial and retail figures yesterday

measures. Nonetheless, it

will be a painful stagnation."

economy's problems has

been weak consumption.

Retail sales in August fell 0.5

reflecting lower consumer

confidence after the decision

to increase sales taxes in

April. But they rose an

encouraging 2.3 per cent

several months of declines.

sluggish consumption could

be found in pay data issued

yesterday, said Mr Jerram at

A partial explanation for

per cent year-on-year.

The main cause of the

said: "This is evidence that we are 1996. That year saw 2.4m visitors The Cathay executive cited a on the road to recovery. Wa hope series of factors, ranging from the coverage given to HK during than 40 per cent. "A lot of people regional currency devaluations, a the DMF/World Bank meetings will poor perception of post-handover overcome any lingering wait-and-Hong Kong and "a dramatic down- see attitude in our major markets". were sold on that basis," says one

With more than 70 per cent of visitors to Hong Kong coming from Between January and the end of short-haul destinations, tha regional economic factors are serious. "All of a sudden we have become more than 30 per cent more expensive for visitors from Thailand," says Mr Leclercq at the Nikko Hotel. There is a similar wave of currency depreciations

from Japan alone, a rise of more wanted to see Hong Kong ahead of the handover and a lot of packages tourism executive. "Hong Kong has been over-exposed. Add to that tha regional economic factors and you

have a nasty cocktail." "Tourism is a very important factor in retail sales," says Dong Tao, senior economist at Schroders. "It was expected to lift the retail industry this year, but if you take situation with Malaysia and Indon-out car purchases, then retail sales esia." he adds, referring to the are flat." Mr Tao is downgrading Peter Randall of the HETA says cent to 49 per cent. Tourism, he

# Fears grow for Japan economy China to boost mutual funds

By James Harding in Shanghal

rules for the management of mutual investment funds by the end of the year, promising a new range of opportunities for equity investors and greater stability on the volatile Chinese stock mar-

Last month President

encourage greater institutional investment.

issued within 1997". The article said that China had developed a number of funds focused on industrial investments and plans to expand the scale of these funds. Buoyed by the success of the closed-end funds, there are more than 200 other mutual funds seeking

Following Mr Jiang's call for diversified ownership and a strengthened securitles market, traders in Shanghai and Shenzhen have stressed the need for financial sector reforms to accompany the expanding market.

Chen Jian, an analyst for

# growth forecasts for Hong Kong's economy next year from 5.7 per

China is planning to issue

Investors in Shanghai and Shenzhen, where mainland been pressing for the further development of mutual funds in China, particularly after the Beijing leadership pledged last month to accel-

erate the sale of state assets. The government plans to issue Yn50bn (\$6bn) worth of new shares in 1998, compared with a new issue quota of Yn30bn this year and Yn15bn in 1995, according to a statement this week from Xinhua, the official state news agency.

Jiang Zemin committed China to greater "diversification of ownership", sanctioning lower levels of state ownership and an increase in the sale of shares in government-owned companies as part of a programme to reform China's ailing state

sector. Chinese officials believe the new regulations on

positions at any time, would

There are more than 80 mutual investment funds, all closed-end funds, already operating in China and stock exchange authorities argue that an extension of the mutual fund business and more institutional investors will help steady China's

speculative markets. The Shanghai Securities China's two young stock News, the market's official exchanges are based, have newspaper, published a front page report yesterday saving that the "regulations are currently under discussion and it is hoped they will be

Guotai Securities, a leading Shanghai brokerage, said: "China will have to introallow tha establishment of system, as a bigger scale open-end funds that allow market will require bigger investors to cash in their scale funds to support it."

so transparent it would be

like ha was "walking naked

down Silom Road", the heart

of Bangkok's financial dis-

As recently as last week,

Virabhongse Ramangura.

deputy prime minister for

economic affairs, said he

would insist the central

bank disclose its swap posi-

"We will release the swap

position eventually when we

feel there is a significant

change," said Kleo-Thong

Hetrakul, the central bank's

director of economic res-

earch, when asked if there

had been a change in policy.

tion every two weeks.

NEWS DIGEST

# Malaysia growth target reduced

Anwar Ibrahim, Malaysia's deputy prime minister, said yesterday the country's economic growth next year would slow to between 6 to 8 per cent. "We will feel comfortable" with growth of 7 to 7.5 per cent but even if we reduce growth to 7 per cent we can still achieve full employment," he said.

Mr Anwar's remarks confirmed comments made earlier in the day by Prime Minister Mahathir Mohamad, on tour in Chile, who said he expected slower growth next year as a result of the fall of the nation's currency, the ringgit. The ringgit reacted to the lower growth forecasts by falling to a new record low of 3.255 against the US dollar, before recovering alightly to 3.2450. The falling ringgit triggered an easing of other currencies in region with the That baht and Indonesian rupiah also affected.

Mr Anwar said the 1998 budget due on October 17 would be "reflective of the government's total commitment to management the economy prudently."

In addition to recent planned steps to reduce the cur-rent account deficit such as deferring big infrastructure projects, Mr Anwar said the budget would aim at the more sustainable long-term strategy to maintain the country'a economic stability. Asif Huda, Kuala Lumpur

#### BRIBERY CASE

### S Korea chairmen pardoned

South Korea yesterday granted a presidential pardon to seven top businessmen who had been given suspended jail terms for bribing Roh Tae-woo, the former president. The action was expected and is regarded as a prelimi-nary step to a possible annesty for Mr Roh and his predecessor, Chun Doo-whan, who were convicted last year on corruption and sedition charges in the first court trial

involving South Korea's former rulers. Those pardoned were the chairmen of the Samsung. Daswoo, Dong-ah, Jinro, Dongbu, Daslim and Dasho industrial groups, who were found guilty of contributing millions of dollars to a political "slush fund" amassed by Mr Roh, who served as president between 1988 and 1993. The clemency order also benefits 16 other executives

convicted of tax evasion, embezzlement or bribery. They have had their sentences declared void and civil rights John Burton, Seoul

#### TAIWAN PROJECT

### **Worries surface over rail deal**

Equipment suppliers and construction companies stand to get new business from Taiwan'e planned T\$336.6bn (US\$11.85n) high-speed rail link, but it is unclear how profitable the project will be for investors.

Taiwan's transport ministry late last week made a preliminary award of contract to build a 340km line between the capital, Taipei, in the north and the southern port city of Kaohsiung, to a European-backed consortium whose bid came in surprisingly lower than the government's original estimate of T\$441bn.

A securities analyst who has been closely following the high-speed rail project said the internal rate of return on the project is impossible to estimate at this stage, as the contract has yet to be finalised. "On the demand side, there is no problem," the analyst said, citing fast-rising domestic air traffic. "But I am concerned about the cost side. If there are any construction delays the added interest expense could increase costs significantly."

Led by Continental Engineering, a Taiwanese construction concern, the winning alliance is composed of 29 condomerates, including GEC Alsthom, Evergr wanese transport group, Taiwanese financial concern Fubon and Siemens of Germany. The Continental-led group bid US\$6.71bn less than its competitor, and offered to pay the T\$105.7bn the government planned to spend on land acquisition and infrastructure.

Construction on the line is to begin in early 1998 and it is to begin service in mid-2003, covering the route in less than 100 minutes. Laura Tyson, Taipei

### EXPANSION PLANS.

### Regional telecoms' \$90bn gap

A \$90bn gap exists between multinational corporations' expansion plans and their telecommunications requirements in the Asia Pacific region, according to a new report. Almost 2,000 international companies were surveyed about their investment and expansion plans in 12 countries in the region. The report\* found that only 26 per cent of regional call

centres - telephone bureaux which typically handle customer enquiries on behalf of businesses - employed quality monitoring systems used frequently in Europe. Australia, which has a relatively sophisticated telecoms network, has 44 per cent of call centre monitoring. Customer care was also found to be lacking. One in 10

Asia Pacific call centres said they were unable to meet customer expectations. The region was also found to be suffering from high labour costs, poor operating hours and limited budgets. Christopher Price, London The Asia Pacific Call Centre Report, sponsored by Price Waterhouse, Telstra, IBM, Rockwell and American Express, \$3,000 from ACA Research.

# How will your software react to the turn of the century?

icy to stimulate demand, ment taking drastic remedial in August increased just 1.2 month-on-month,

Kanezo Muraoka, chief cabi-

net secretary, yesterday said

Japan would not resort to

pump-priming measures to

Some economists took

comfort that August's retail

figures were above expecta-

tions, suggesting the col-

lapse in consumer confi-

dence may have bottomed

out. 'If these data had con-

tinued to elide, then Japan

was heading for recession."

said Richard Jerram, chief

economist at ING Barings in

Tokyo. "Instead, they indi-

up even without the govern-

boost the economy.



Many software programs will have problems coping with the year 2000. And so will you when the two-digit year entries take you back to 1900 instead of into the next millennium This problem is already impacting long-term planning and contracts - and time is running out.

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- waggest companies are state owiled. distribution companies and \$300m pany's board.



# Thais increase foreign reserves package Thailand would be

By Ted Bardacke in Bangkok

Thailand yesterday reported its first increase in foreign cash reserves this year, but the announcement and other positive data on export growth were overshadowed by the central bank's refusal to reveal its net position in the forward swap market.

As at September 15, foreign reserves stood at \$28.4bn, up from \$25.9bn at the end of August. The increase largely reflects a drawdown of \$2.4bn of the country's \$17.2bn credit line supervised by the International Monetary Fund (IMF). bringing total drawdowns to a total of \$4bn by mid-September.

However, the bank did not give a breakdown of which countries or institutions the \$4bn came from.

Without the drawdown, reserves increased \$100m, indicating little net capital outflow during the two-week period, compared with a \$4.5bn balance of payments deficit during the entire month of August.

However, the central bank declined to raveal the amount of forward contracts it had outstanding in the swan market, a move which analysts said rendered the cash figures largely mean-

In August the central bank revealed it had \$23.4bn in forward contracts coming due in the next 12 months, \$14.8bn rung up during the failed defence of the baht. What happens to these

swap positions is a big factor in determining whether Thailand will be able to keep its reserves above the \$23hn level mandated by the IMF. "It's like telling your essets without telling your liabilities," said Neil Saker. economist with Soc-Gen Crosby in Singapore. "By

that measure we are all mil-

The omission came despite repeated assurances from Thanong Bidaya, finance minister, that in the aftermath of the IMF reserve

# Mandarin Oriental Hyde Park, London.

One of London's crown jewels.

Where to find the rest of the World's Finest Hotels & Resorts The Oriental, Bangleok

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🚒 <del>Liga</del>na di milanda



A New Era in Japanese Telecommunications Has Begun-Japan Telecom Leads the Way.

# October 1, 1997.

- Today marks the completion of the merger between Japan Telecom and the international telecommunications carrier ITJ. The merger establishes Japan Telecom as the first and only provider of truly integrated domestic and international telecommunications services in Japan.
- The merger allows Japan Telecom to offer a full range of international and domestic long-distance services to its 14.5 million customers and the over one million customers served by ITJ. The merger also signals the beginning of a renewed effort to expand the company's customer base through the aggressive marketing of these services to corporate and individual clients.
- Japan Telecom continues to push ahead in other areas, too. For example, last month the company began testing its first local telephone network using fiber optic lines and microwave transmitters. This event marks yet
- another first for Japan Telecom, as the company moves to the forefront of new opportunities afforded by the deregulation of telecommunications services in Japan. The company is set to enter the large and lucrative ¥2 trillion local telephone market in early spring 1998.

49-94-23 (# 25 ) 1 7 4 4 4 7

Japan Telecom's philosophy of being first has paid off on the bottom line as the company finished its most recent fiscal year with record revenues and profits. And once again, the company ranked first in telecommunications revenue among all New Common Carriers. It is a position Japan Telecom intends never to lose.



4-7-1 Hatcho-bori, Chuo-ku, Tokyo 104, Japan • http://www.japan-telecom.co.jp

# Blair seeks 'modernised' Britain

By Robert Peston, Political Editor

Tony Blair yesterday painted a vision of a modernised Britain based on government harnessing private finance and working closely with companies, marking a final departure from the traditional Labour instinct to solve most problems with public money.

Setting his sights on leading "one of the great, radical, reforming governments of British history", be insisted the UK could be the "best" country in the world.

In his first speech to a Labour annual conference since his landslide general election victory on May 1, he said "partnership" between public and private sectors was "the only language this New Labour government will respect".

"For husiness, this will be a government on your side not in your way", he said. There was "no place for militant trade unionism or uncaring msnagement

Delegates responded posi-tively to his controversial title dominance of the twen-tieth century, he said. Mr



Tony Blair is greeted with e standing ovation as he arrives to make his keynote speech

call for Labour to work closely with the Liberal Democrat Party and for a "zero tolerance" approach to crime reminiscent of the pre-

vious Tory government. Divisious between "radicals" almost a hundred years ago ushered in the Conserva-

Blair was therefore determined that Labour and Liberal Democrats should not fight each other and allow e Tory revival. "I want the 21st century to be the century of the radicals," he said.

The refrain repeeted

throughout the speech was

that his mission is to "mod-

ernise" the country and he

choices" along the way. One "hard choice" was looming over a European single currency. He gave implicit confirmation of the government's more positive approach to joining at an early opportunity after the 1999 launch, as disclosed last

week in the Financial Times.

used to meet his objective of making "Britain the best educated and skilled country would not dodge the "tough in the world."

He announced agreement on the "biggest private/public partnership in any education system, anywhere in the world", involving British Telecommunications, UK cable companies and OFTEL, the telecoms regulator.

Editorial Comment, Page 15

The UK would be affected

by monetary union whether it was "in or out" and so "must remain able to influ-

ence the way that it works",

he said. This was seen by

ministers as foreshadowing

a plan to make a declaration

of an intent to join EMU,

since there is e consensus

that the government would

only be able to belp shape

monetary union in these cir-

He also outlined ambitious plans to harness private

money to reform the welfare

state. "Modern welfare means e better balance

between public and private

He also demonstrated that

private finance could be

cumstances.

money" he said.

# Green lobby gets down to business

The message to industry is that saving energy helps boost profits

position on climate Cook, the UK foreign secretary, this week.

Britain has carved out a leading role on the world stage for tackling what US President Bill Clinton has described as the world's most serious environmental

including the environmentalist lobby, are pressing the government to put its money where its mouth is. They want to see a detailed plan showing how Britain will achieve its target for a 20 per cent cut in emissions of carbon dioxide - one of the greenhouse gases - from the

burning of fossil fuels. Officials are presently putting together proposals for achieving the target. The measures the government is

counting on include: Boosting electricity generated from renewable sources to 10 per cent by 2010, up from 4 per cent in 2000. The government is con-

Private for electricity chapmaned for the purposes of the electricity positing and settlement energy-words in England and Vision.

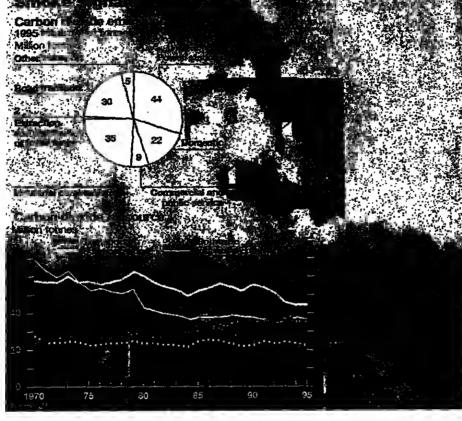
e have the world's support for solar power. in most advanced return comments in British Petroleum propose to boasted Robin invest in UK manufacturing capacity for solar panels. Promoting an integrated

transport system to reduce the impact of road vehicles, which account for almost e quarter of total carbon dioxide emissions. • Help from European

Union directives to promote by industry, vehicles and households. The European Commission has been negotiating with the car industry to boost vehicles' fuel efficiency by 40 per cent by

 New environmental taxation to discourage energy

Sir Robert May, the government's chief scientific adviser, said yesterday that although some of the measures would be "difficult". pursuing the target was vital. He said if no action was taken, emissions might double by 2050, causing an increase in the world's aversidering plans to increase degrees. The effecte on dependence on cars.



Britain are unlikaly to be confined to enjoyable warm summers but could include "more floode and more

droughts". Tony Blair, the UK prime minister, said yesterday he was determined to act on the concerns raised by Sir Robert and secure change not just in Britain but worldwide. But he will have to spend a fair amount of political capital to push through changes to voters' lifestyles. age temperature of about 2.5 snch as reducing their

The good news is that even the World Energy ing action to protect the Council, which represents environment presents opporenergy producers, says there is a "huge opportunity" for business to promote more efficient use of energy. The main challenge is securing the finance for housebolds, small businesses and developing countries to finance investments in energy efficiency. In the UK, electricity

asked to give residential cus-

tomers bridging finance to

pay for such investments.

tunities to make money is one the government will be keen to reinforce. Pointing to Japan's success in becoming the most energy-efficient nation in the industrialised world; Mr Cook said taking action did

But the message that tak-

The exchange rate clause in the Maastricht Treaty has given rise to conflicting not mean "wearing e hairshirt, sleeping on the beach interpretations. The UK and utilities are likely to be or chewing on the leather of Sweden, both unlikely to participate in 1999, argue your sandals". thet currency stability Leyla Boulton should be measured in terms of actual performance of the exchange rate, rather Court backs beef export ban

the EU.

ment. The European Commission and the majority of EU central banks insist on formal

than through the formal

ERM membership require-

ERM2 membership as an entry requirement. The Bundesbank said yesterday: "It is still the Bundesbank's position that future memhers should be

part of the system."

The Emo endgame, Page 14

UK NEWS DIGEST.

**Britain** 

may be

to rejoin

By Wolfgang Münchau,

the ERM

**Economics Correspondent** 

The UK will come under

pressure from its European

Union partners to rejoin

the exchange rate mecha-

nism once the government

declares its intent to

and monetary union, according to EU monetary

Pressure to join the suc-

cessor system of the ERM in 1999 will add to the govern-

ment's policy dilemma over

Emu. In particular, the gov-ernment is keen to avoid a

repeat of events in 1992

when the pound was forced

out of the ERM, causing

irreparable damage to

the Conservative govern-

The Maastricht Treaty

stipulates two years of ERM membership without devalu-

ation as a qualifying condi-

tion for Emu. But the UK

and Sweden dispute whether this clause still has a legal

validity for the ERM2,

which is due to take over from the existing ERM in

1999. The ERM2 will link

the currencies of EU coun-

tries that are not in Emn to the euro, the new single cur-The day after you

announce that you are going to join, you will be immedi-

ately asked: do you falfil the criteria? And this one [ERM

membership] is bound to

come up," according to an EU monetary official.

The issne will surface

later this year, when the government is due to decide

whether to invoke the UK's

opt-out of the single cur-

Touy Blair, the prime

minister, is expected to rule out joining Emn at the

scheduled launch dete in

1999. But he will be under

pressure to accompany this

statement with a clear sig-

nal of Britain'e commitment

If he sets a time-frame for a referendum, Britain's EU

partners will insist that the

pound enter the ERM2, et

least for some time. If Mr

Blair leaves the question of

Emn membership open, the

choice of joining a wide-

band ERM would then

become one of only a few

policy options left for the

government to sustain

Britain's influence over

future monetary policy in

to the EU.

officials.

forced

# \$724,500 fine for mis-selling

Friends Provident, the mutual life insurer, was yesterday fined £450,000 (\$724,500) for offences limked to pensions mis-selling, the largest penalty yet imposed on an insurer. in connection with the £5bn scandal.

The Personal Investment Authority, the watchdog for the private investor, said the mutual had made "extremely poor progress" in sorting its cases out. PIA and the regulator imro have together imposed mis-selling related fines totalling more than £2m on 49 companies in

Friends Provident reacted angrily to the fine, saying the assessment date - March 31 of this year - had been imposed "retrospectively" and in the absence of formal take part in economic

deadlines for completing the review. Brian Sweetland, secretary, said deadlines had been set in May, and the insurer was confident of meeting these. This will force it to clear up 90 per cent of top priority cases by the end of this year, and all priority cases by the Christopher Brown-Phanes, London end of next year.

PRODUCT RECALL

### Nintendo acts on suspect plugs

Nintendo, the Japanese consumer electronics group, will today recall almost 220,000 leads supplied to UK buyers of its computer games consoles, after the discovery of potentially dangerous faults in some of the plugs.

The company is advising consumers to send back Ritachi HE-25 leads which were sold with 50,000 of its Nintendo 64 games system, and with 168,000 of the Super Nin-tendo Entertainment System, or SNES. Nintendo said the recall would be "a substantial investment". It applies only Andrew Edgecliffe-Johnson, London

TAX SELF-ASSESSMENT

### Rush to beat revenue deadline

The Inland Revenue has received a flood of tax forms ove the last few days from taxpayers rushing to meet yester. day's deadline under the new self-assessment system. The last minute surge is expected to take the number meeting the deadline past the halfway mark.

"About 4m (of the 8m taxpayers affected) had submitted.

returns at the last count and we are anticipating 4.4m by the close of play," the Revenue said yesterday. This is 700,000 more than the total late last week. But it still falls short of the Revenue's original 4.8m target.

There are no financial penalties attached to yesterday's deadline, although taxpayers who missed it no longer have a guarantee that the Revenue will work out their tax bill on their behalf in time for them to avoid interest charges for late payment.

But the real crunch comes at the end of next January. Taxpayers who have not sent in their return or paid their tax for 1996/97 by then will be hit by fines and interest charges. Unlike the old system, where financial penalties were only levied at the Revenue's discretion, these charges are automatic. Jean Eaglesham, London

■ INDUSTRIAL INJURY

### Awards for former mineworkers

Seven former mineworkers suffering from the hand disease Vibration White Finger yesterday won compensation payments totalling £124,735 (\$200,823) at the High Court in Newcastle upon Tyne, in north-east England, in a test case ruling with much wider implications.

Solicitors representing the men in their litigation against their former employer British Coal predicted before yesterday's judgment that the total compensation hill for former British Coal mineworkers suffering VWF may exceed £50m.

Yesterday'e ruling also has potential implications for other industries where use of pneumatic and percussive tools is common, because the damages awarded were greatly above the average level which has until now been paid by British Coal and other employers facing VWF

Roger Maddocks, a partner in Thompsons, one of the firms representing the mineworkers, described it afterwards as a "landmark decision".

British Coal is considering an appeal against the Chris Tighe, Newcastle upon Tyne

HISTORIC LINER

### Canberra ends a 36-year voyage

The liner Canberra sailed into Southampton for the last time yesterday at the end of e 20-night Mediterranean voyage and after 36 years and more than 3m miles of service with P&O Cruises.

A flotilla of small boats and ferries accompanied by fire tugs spraying fountains of water greeted the 45,000-ton vessel, which was the largest post war British passenger ship when she was launched in 1960. When war broke out in the south Atlantic in 1982, Canberra was requisitioned hy the Ministry of Defence. Apart from landing most of the ground forces she was a hospital ship and detention centre for Argentinian prisoners of war.

She is to be replaced by a 75,000-ton superliner at a cost of £200m (\$322m) in 2000. Like the present P&O flagship, Oriana, the new vessel will be huilt at the Meyer Werft shipyard in Germany. Charles Batchelor, London

### Maitland in London UK attempts to have a beef exports ban lifted by law appeared to be heading for failure yesterday following an adverse opinion by the European Court of Justice's advocate general.

By Michael Smith in

Giuseppe Tesauro, advocate general, said the gravity of BSE, or "mad cow" disease, and the danger of its transmissibility to man constituted a real risk, which "vindicated" the ban ordered by the European Commission 18 months ago.

His opinion on the cases brought by the UK government and National Farmers' Union is not binding on the court. However, the advocate general's conclusions are would permit the gradual

usually becked by fellow resumption of beef exports. handed down on separate judges. The court is expected

to rule later in the year. The opinion is e further disappointment for the UK beef industry, which has been struggling without an export trade that was worth £520m in 1995.

It follows the release of week which, they said, came close to proving a link between BSE and the new variant of Creutzfeldt-Jakob disease in humans. Jeck Cunningham, UK

agriculture minister, said the legal ection had been started by the previous Conservative administration. The Labour government, he added, was working with the European Commission on two schemes which ing the ban continues."

These are a certified herds but related cases, one scheme, epplicable to cattle in areas where BSE has not been recorded, and a plan which would allow exports of cattle born after August of last year. Sir David Naish, president

of the National Farmers' evidence hy scientists this Union, said the edvocate general's opinion was disanpointing hut should not be seen as e setback. The government and the industry had taken "enor-

mous steps forward" in helping to eradicate the risk of BSE since the ban was imposed 18 months ago, he said. "We have every confidence in British beef and will redouble our efforts to ensure that progress on lift-

brought to the European Court by the British government against the Commission and the other by the NFU against the British euthorities. The complainants argued that the Commission, the European Union's executive, lacked euthority to impose the ban elther on EU partners or third coontries. Mr Tesauro said the Com-

mission had powers to edopt the measures to combat serious hazards to bumans "Health is a priority objective which justifies restrictions on the free movement of goods ... The ban on exports to non-member countries is an indispensable tool for ensuring that the deci-Mr Tesauro's opinion was sion is truly effective,

By Robert Rice. Legal Correspondent

A lesbian railwey clerk, denied free travel concessions for her partner, yesterday won the first round of a legal battle with her employer. South West

Michael Elmer, an advocate general of the European Court of Justice, said the train operator, part of the Stagecoach transport group, had broken European sex discrimination laws by denying the women an employment benefit available to

beterosexual couples. A refusal to grant a pay benefit to a cohabitee of the same gender as the employee constituted dis. dependent on gender and ment lawyer, said the case advocate general's opinion.

gender, the advocate general sex and gender amounted to UK companies and advised Lisa Grant, 29, took South

West Trains to court after it refused travel concessions to her partner, Jill Percey. because the pay benefit was only available to spouses, dependents and "commonlaw opposite sex" spouses. Ms Grant's predecessor had obtained the travel concessions for his female cohabi-

The company said it was not guilty of sex discrimination because it would discriminate equally against male homosexual employees. But Mr Elmer said tha company had made the grant of the concession

crimination on the basis of discrimination on grounds of would have implications for "The grant of the benefit

> in question depends on the gender of the employee, in as much as employees must be of the opposite sex to their co-habitees," be said. The advocate general said if the rule on travel concessions had been "gender-neu-

£1.000 a year. "Gender is thus, objectively, the factor that leads to discrimination relating to pay against a particular group of employees," he

being sued. Companies would have to look at all issues of pay

tral", Ms Grant would have the lasting legacy of the case would be that more and obtained a pay benefit worth

the same thing undar EU businesses to change their policies or face the risk of

> including salary, pensions, loans, mortgages and any other pay benefits, she said. Angela Mason, director of Stonewall, the gay and lesbian rights group which backed Ms Grant's case, said

more lesbians and gay men would "come out" at work. The full judgment of the Luxembourg court is expected by the end of the year. In more than 80 per cent of Ruth Harvey, an employ- cases, the judges follow the

### reformed in N Ireland system, and audio recording By John Kampfner, of interrogations.

Chief Political An end to intermment and

the start of radical reform of the Royal Ulster Constabulary were signalled yestergovernment's chief minister for Northern Ireland.

Outlining a package of legislation eimed at building confidence in Ulster's institutions among nationalists, Ms Mowlam said she was determined to "combat discrimination and promote equality of opportunity".

The meesures were announced as the multi-party talks on e new constitutional settlement for the province began in earnest, including for the first time Ulster Unionists face to face with Sinn Fein.

Ms Mowlam told the Labour party annual conference that a new anti-terrorist bill would include surrendering the

right to hold suspects without them being charged, far fewer cases falling under the

Police and laws to be

eral years, its removal will be symbolic for a nationalist community that sees itself day by Mo Mowlam, the UK as discriminated against by a police force that is 93 per cent Protestant

The changes were recommended in an independent. report last January by Lord Lloyd of Berwick, which was largely rejected by the previous Conservative government, but warmly welcomed by Labour in opposition.

Ms Mowlam has accepted the Lloyd auggestion of replacing the Prevention of Terrorism Act, which applies to the mainland, and the Emergency Provisions Act, for Ulster - both of which are subject to annual review.

- with an all-embracing act. Labour ministers hava long made clear that confiwithin and between Roman Catholic and Protestant'com ority in the negotiations as many Catholics as Protes-"Diplock" trial-without-jury between political leaders. tants being out of work

However, wary of being seen as slanting the propos-Although the right to als towards nationalists, the intern suspects has not been government has decided not used by the police for sev- to go ahead with plans to alter the RUC's name, emblem and oath of alle giance to the British crown.

The changes include and independent commission to provide a stronger outlet for complaints against the police. New training prosp-dures will be introduced to. instil officers with more of a. feel for community policing The government has also accepted the recommenda-

tions of the Standing Advisory Committee on Human Rights, whose report on employment equality was presented to ministers a few months ago.

The committee, which was charged with updating the 1989 fair employment act in Northern freland, called for additional measures to help the long term unemployed. dence building measures Ms Mowlam said she would . clarify the law for employers and address the "indefensimunities were as much a pri- ble" injustice of twice as-

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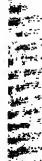
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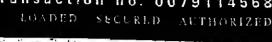
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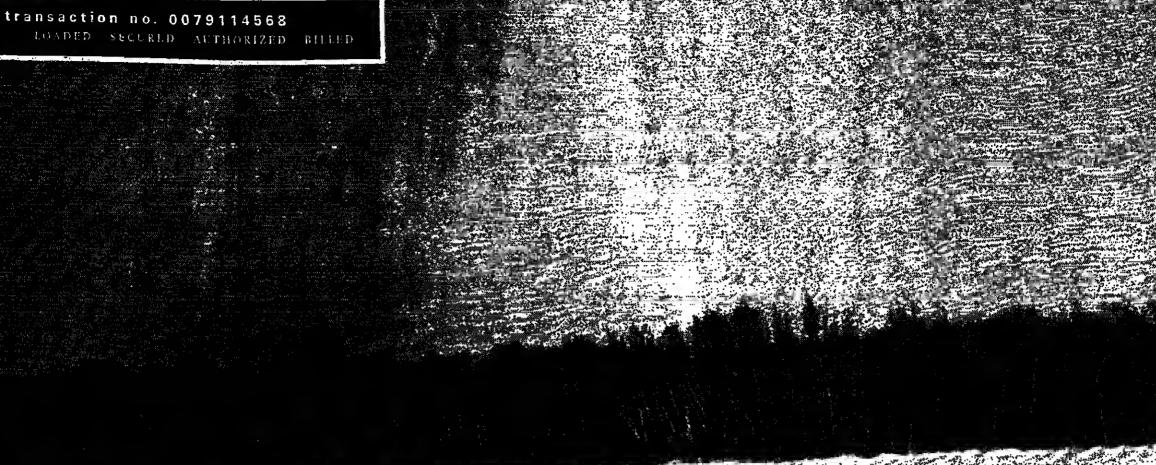
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Crossing borders: trade inside the global company

# THE GLOBAL COMPAN

Case study DHL and Kallback

# Erasing old frontiers

**Charles Batchelor** and Scott Morrison report on two pioneers

themselves global operations - but of very different sorts. DHL, the biggest international courier, and International Telecom (ITL), the "call-back" phone company, provide the cheap cross-border communications that the auto, pharmaceutical make globalisation possible

1969 to fly shipping docu- and shift to just-in-time ments overnight from San working. This creates new Francisco to Hawaii. The documents arrived ahead of the goods being shipped, reducing customs delays.

ITL's core business, Kallback, was born in 1993 because Joel Eisenberg, the US could be programmed to dial Kallback's line and hang in that direction". up after one ring. The compnter reads encoded messages embedded in the incoming signal, calls the number back and gives the the barriers erected by overcaller an open US line - at seas telaphone monopolies; cheap US rates - to anywhere in the world.

tomers around the globe. DHL, run from a "global coordination centre" in Brussels, delivers packages to take advantages of opportualmost every country there is, except North Korea, Iraq and Tunisia. ITL, based in Seattle, serves 130,000 cus-

tomers in 225 countries. There the similarities end. To achieve the \$5bn in revenues DHL forecasts for 1997, great appeal in the protected

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nationalities spread all round the globe. NIL, with forecast 1997 revenues of \$100m, has only 200 staff, almost all American and all based in Seattle - a vivid wo companies that specialise in arasing national borders are illustration of the way electronics allows global reach without physical presence. without physical presence.

This trend is, of course, one of the challenges DHL must face. To offset any threat to the volumes of documents it carries, DHL is seeking to expand in high value "parts" shipments for and medical equipment markets. And as companies Both are young both are think more globally, they pioneers. DHL was set up in centralise their warehouses business for DHL.

But meeting the logistical needs of manufacturers, says Robert Kuijpers, DHL International's chief executive, involves "a more dense infrastructure and a relacompany's chairman, real- tively large investment in ised that a computer in the meeting contingencies". At present, "we are only scrapgive overseas callers access ing the surface of that marto cheap US phone rates. ket, but you need business Customers outside the US volumes and money to move volumes and money to move

The challenge for ITL is to fight off new entrants into the call-back business, such as AT&T; to manoeuvre past and to expand into new lines of business. To succeed, says Mr Eisenberg, "the most important requirement is to be nimbla - to adjust rapidly to regulatory changes and to nities as they arise".

The biggest threat is deregulation, lowering international call rates everywhere to US levels. That is under way in Europe and Japan, but Kallback still has paople of many different America and the Caribbean. exchange controls affecting 1980s. in the same period the

# The heart of the new world economy

Cross-border integration has now reached the levels of the 19th century - and this time companies play the central role, says Martin Wolf

leaps readily to Like the idea or loathe it, few deny its existence or understate its significanca. But how far has it progressed? And what role do companies play? Behind the growing inte-

gration of the world economy lies the decline in the costs of transport and communication. Between 1930 and 1990 average revenue per mile in air transport fell from 68 US cents to 11 cents, in 1990 dollars. The cost of a three-minute telephone call between New York and London fell from \$244.65 to \$3.32. Between 1960 and 1990, the cost of a unit of computing power fell 99 per cent. Technological change

makes globalisation feasible.

Liberalisation allows it to happen. Under the agreement reached at the end of the Uruguay round of multilateral trade negotiations, average advanced country tariffs on imports of manufactures will be reduced to under 4 per cent. Tariffs of devaloping countries are set to fall from 34 per cent between 1984 and 1987 to 14 per cent. Between 1970 and 1997, the number of counthe company employs 53,000 markets of Africa, Latin tries that eliminated many and Japan in the

lobalisation is a imports of goods and ser- number of workers moving word that now vices jumped from 35 to 137. across frontiers was greater Restrictions on investment than now. Nevertheless, interna-

every tongue. have been reduced virtually everywhere. Around the tional economic integration world, there have been some has, ou balance, probably gone furthar than evar 570 liberalising changes in regulations governing forbefore, According to Angus eign direct investment since Maddison, an economic his-1991. Some 1,330 hilateral torian, ratios of exports to global output were 9 per cent investment treaties involving 162 countries are now in in 1913, 7 per cent in 1950, II effect, a threefold increase in per cent in 1973 and 14 per half a decade. cent in the early 1990s. Technology and deregu-Financial markets are ever lation work together. The more closely linked; and governments are increasingly

unit cost of sea freight, for example, fell 70 per cent in raal terms hetwaen the beginning of the 1980s and 1996. Behind this sharp decline lay not just technical innovations, but increased and a century ago. More funcompetition generated by damental still is the role of

Companies used to set up factories abroad to supply local markets, but now these plants produce for export

bigger, more liberal markets. The extent of globalisation must not be exaggerated. At its pre-1914 peak, the UK's net capital outflow was 9 per cent of gross domestic product, twice as big a share of In 1996, the global stock of GDP as outflows from Ger-

companies. Where once integration tended to take the form of trade and capital movements at arm's length, it now occurs increasingly within companies.

bound by a web of multilat-

eral agreements and institu-

Such constraints are one

difference between today

foreign direct investment (FDI) was valoed at \$3,200bn. its rate of growth over the previous decade was more than twice that of gross year between 1991 and 1996. 7 per cent. FDI is also widely of total FDI went to developing countries.

Investment leads to production. By 1995, 280,000 foreign affiliates generated \$7,000bn in global sales, which exceeded global exports of goods and services hy 20 per cent. According to the World Bank, the share in world output of multinational affiliates jumped from 4.5 per cent in 1970 to

7.5 per cent in 1995. Their share in manufacturing output was 18 per cent in 1992. up from 12 per cent in 1977. Multinational production

generates further international transactions. In the US, intra-firm imports were more than 40 per cent of total imports by the early 1990s. Similarly, an estimated 70 per cent of global payments of royalties and fees are transactions between parent firms and their foreign affiliates.

Large companies have long dominated industries characterised by economies of scale and scope, by firmspecific skills in innovation, production or sales or hy valuable trademarks or brands. Companies usually find it more profitable to exploit such assets in-house than sell or license them to other companies or engage

in joint ventures. As sophisticated and more flows grew at 12 per cent a tant in demand, output and tries - in car and truck protrade, so do companies with while global exports grew at the capacity to supply these spread: last year, 37 per cent is the most successful companies of the most advanced beyond the borders of their

country of origin. nationals, ranked on the basis of their foreign assets, own \$1,700bn in their foreign affiliates, one fifth of global foreign assets. All but two of the companies are from advanced countries. 30 from the US alooe. The top 25 US

Own words Jack Welch, executive, General Electric

multinationals are responsible for half of the country'a stock of foreign capital - a shara that has remained almost unchanged over four

The big change in recent years, however, is a shift inthe reasons why companies move production overseas. Historically, companies have located production abroad in order to overcome natural or artificial barriers to trade. If production efficiency were the only criterion, it would have made sense for many companies to locate all their production at a single base, to maximise economies of

scale in practice, however, governments in consuming to spread production more For example, much of the Japanese investment in the US and the European Union was a response to protection against its exports. The

duction, for example. competitively. inevitably, it ised production were inher-lates rose from about 20 per ent in the nature of the business. The provision of many economies that do best services used to require countries exports rose from face-to-face contact. Expansion of service firms there-The largest 100 multi- fore required the creation of Similarly, fear of fluctuations in real exchange rates . encouraged the spread of production capacity across

> frontiers. now changing. Trade liberal

isation makes traditional protection jumping production unnecessary. Improvements in communications are eliminating natural barriers to long-distance comproduced in one country and exported to another, just like manufactured goods. And in

international intraform trade?

share in total country trade

Europe, at least, economic and monetary union will eliminate exchange rate fluc-So, creating overseas production sites merely in order to meet local consumption looks an increasingly fragile basis for foreign investment. A much better one is the ability to make the best use of a company's competitive countries have pushed them advantages by locating production wherever it is most efficient. Today's multi-

component production, assembly and distribution. Evidence of this trend can differentiated goods and ser- same is true of investment be seen in the growing role fixed capital formation. FDI vices become more impor- in many developing coun- of exports in multinational production. Between 1966. and 1993, exports from US-Other barriers to central- majority owned foreign affilcent of sales to 40 per cent For affiliates in developing 10 per cent to close to 40 per

nationals create widely

spread networks of research,

This sort of internationalelaborate overseas networks. 'isation reflects - and augments - the economic liberalisation and technical change binding the world's economies closer together. To the extent that it reflects Many of these trends are such forces, globalisation of companies is here to stay.

### **CONTRACTS & TENDERS**

REPUBLIC OF LEBANON MUNICIPALITY OF BEIRUT COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION Notice of re-invitation to tender for the Build, Operate and Transfer (BOT) contract for a development project comprising a public garden, a car park and a commercial centre at Ras Beirut - plot No. 1220

The Lebanese Government, represented by the Council for Development and Reconstruction and the Municipality of Beirut, aunounced the re-tendering of the Build, Operate and Transfer contract for the above-mentioned project.

In addition to the firms or grouping of firms which have been prequalified for this project during the first invitation to tender, candidates eligible to hid include all Lebanese or foreign firms, acting separately or in joint venture, which are judged suitable to carry lification document which forms part of the tender documents. out this type of project on the basis of the criteria set out in the post-qua The main components of the project will occupy the following areas ahout 5,000 m2

about 6,800 m<sup>2</sup> Public garden (green space, ...) - Ancillary facilities (storage, kitchens, ...) about 4,200 m2 Car park (about 1,200 vehicles)

about 44,700 m2 • Circulation space (access ramps, shopping areades,...) about 2,800 m2 • Office space about 6,200 m2 The project will also include the foundations for an office tower of approximately 48,000 m<sup>2</sup>. The tender document, including the post-qualification document, will be available as of Monday 15/9/1997 from the Council for Development and Reconstruction, Tallet el Serall, Belrut, Lebanon. Candidates may obtain the document against payment of US\$10,000 (ten thousand US dollars) by means of a certified banker's cheque drawn in favour of the Council for Development and Reconstruction. Bidders who nurchased the tender document for the first invitation to tender will receive the new document free of

Bids should be delivered to the CDR office for receipt of tenders by Monday 17/11/1997 before 12 moon (Beirut time). Envelope No. 1 (technical and administrative) will be opened in the presence of all bidders wishing to attend in the CDR offices at 12 noon (Beirut time) on Monday 17/11/1997. The tender committee will evaluate the offers in order to assess the suitability of bidders to carry out the project and will then prepare the list of the prequalified candidates. Envelope No. 2 (financial) of the candidates who do

Envelope No.2 (financial) of prequalified bidders will be opened in the presence of all such bidders wishing to attend on a date to be For further information please contact: The Council for Development and Reconstruction - Tallet el Serali - Beirut, Lebanon - Tel:

> REPUBLIC OF LEBANON MUNICIPALITY OF TRIPOLI COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION Notice of re-invitation to tender for the Build, Operate and Transfer (BOT) contract for a development project comprising a cultural and commer

at Tall Square - Tripoli ent, represented by the Council for Development and Reconstruction and the Municipality of Tripoli, as the re-tendering of the Build, Operate and Transfer contract for the above-mentioned project. The condidates cligible to bid are the Lebanese or foreign firms acting alone or in joint venture with others which are judged suitable to

carry out this type of project on the basis of the criteria set out in tender docume The tender document will be available as of Wednesday 1/10/1997 from the Council for Development and Reconstruction, Tallet el Serall, Beirnt, Lebason. Candidates may obtain the document against payment of I'SS2,000 (Two thousand US dollars) by means of a certified banker's cheque drawn in favour of the Council for Development and Reconstruction. Balders who purchased the tender document for the first invitation to tender will receive the new document free of charge.

Bids should be delivered to the CDR office for receipt of tenders by Monday 1/12/1997 before 12 noon (Beirut time). Envelope No. 1 (technical and administrative) will be opened in the presence of all bidders wishing to attend in the CDR offices at 12 moon (Beirm time) on Monday 1/12/1997. The tender committee will evaluate the offers in order to assess the suitability of bidders in carry out the project and will then prepare the list of the prequalified candidates. Envelope No. 2 (financial) of the candidates who do not qualify will be returned unopened Envelope No.2 (financial) of prequalified hidders will be opened in the presence of all such hidders wishing to attend on a date to be

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enormous intellectual advantage. Our medical or plastics businesses are examples of that. The aircraft engine business is a global export business, it has high barriers to entry and a lot of technological capital associated with it. It is huilt on e global supply network with local partners who, depending on expertise in each region. also support a global market. Scale is important.

A global business has an

more rapidly.

On the other hand, the appliances business is more local Local customs are different. Barriers to entry are lower. Technology is global but relatively straight-forward. Low selling prices and transportation costs make exports difficult. Our intellectual capital

isn't US-based. In the medical systems business Japan, Europe and India are heavily involved. In plastics. there is strong research and development on three continents. But in appliances, it's all in the US, and in motors it's primarily here. These are products that have relatively

low technological content. The aim in a global business is to get the best ideas from everywhere. Each team puts up its best ideas and processes constantly. That raises the bar. Our culture is designed around making a hero out of those who translate ideas from one place to another, who help somebody else. They get an award, they get

praised and promoted. The way we do this is transportable and translatable. The fact is, all we are talking about is human dignity and voice - giving people a chance to speak, to have their best idea. That is a global desire of all people who breathe. If you find a way to get rid of the hierarchical nonsense and allow ideas to flourish, it doesn't matter if you're in Budapest or Beijing.

Success sometimes takes time. Hungary [where GE bought Tungsram in 1989) was very difficult. The problem wasn't the people themselves - it was that they didn't understand tha market economy. It was



that simple. We had an eager, thirsty crowd who we weren't able to move along '

Today, though, we are a world-class lighting company in Hungary - with at least half of the advanced technology being done there. Patient capital pays off. Speed is important but the really important thing is to live through . India's cycles, or south-east Asian currency upsets, and keep investing, staying there, believing in the inevitable global world. We are trying desperately

to hire more global people. There are certain people who are extremely. -comfortable in global: environments - the Dutch, for instance, or the Swedes. Pound for pound, Sweden

probably has more good managers than any other country. A Swede is a global traveller.

It's global attitude. Among supply - although it is becoming easier with younger people. I think they see that if you are going to. grow in GE, you are not going to have had a domestic background all. your life.

My Job is allocating. capital, human and financial, and transferring best practice. That's all. It's transferring ideas, . constantly pushing ideas; putting the right people in the right job and giving. them the resources to win.

Interview by Richard Waters

In Friday's FT: The new global company

Jim Schiro, Price Waterhouse

Ispat and LTV

# o fine selling

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to he

# Green friendly giant

# Victoria Griffith weighs the benefits of an energy efficient skyscraper

cologists often criticise skyscrapers as wasteful energy guzzlers. Huge heating systems, banks of lifts and rows of high-powered computers gulp electricity and give office towers black environmental marks.

A building under construction at Four Times Square in Manhat- over time, a powerful ventilation tan, however, may set a new, greener standard. The Durst air through the offices. Separate Organisation, developer of the smoking lounges will have their project, describes it as the first environmentally responsible

"Ecologically sound building construction has become common in the residential and small commercial building markets, but this is the first green skyscraper I know of," says Lewis Milford, a lawyer with the Conservation Law Foundation, an environmental group.

The 48-storey, \$500m (£310m) tower is pursuing a strict ecological code. Large windows maximise natural light, for the benefit of workers and to limit the use of electric lights. Fuel cells on the roof and solar panels on the sides will reduce the building's dependence on conventional electricity.

years, and international power

markets are awash with capital

to meet it.

emand for electricity in developing countries is doubling every eight

construction where possible, and tenants will use a recycling sysair conditioning and tem which includes separate chutes for different waste materi-

> To avoid "sick building synhealth of workers by allowing harmful pollutants to accumulate system will regularly move fresh own ventilation systems

But what will be the financial payback for such ecological responsibility? For the moment, none. Durst estimates that the building's greennese has increased construction costs by about 5 per cent to 10 per cent. And although the company expects the added expenditure to be recouped within five years through lower energy use, the savings will be absorbed by the tenants rather than the developer. "We weren't able to negotiate a premium because of the environmental, energy-saving enhancements," says Douglas Durst, head of the group.

But Mr Durst hopes the situation will soon change. He has

Skadden Arps, a law group, have will measure productivity at the His theory is that the natural light and improved ventilation systems will boost worker effi- ing is empty.

ciency and allow him to charge a

n the meantime, he says, he is not put off by the extra expense. He explains that his concern for the environment is a personal conviction; with other family members he owns and runs the largest organic farm in New York state. For years, he has been in the process of "green- lar towers over the next few ing" other high-rises under the company's management, includ-ing replacing old air-cooling than average for a building this systems with more environmen- size," he says. "Once tenants see tally sensitive models. Four the energy savings and produc-Times Square, says Mr Durst, is a tivity gains in store, people will chance to show how ecologically

responsible a skyscaper can be. The most contentious part of ronmental, sense. I feel confident

Recycled materials are used for commissioned a three-year study the roof-top fuel cells aimed at of his tenants' productivity. reducing the building's reliance Condé Nast, the publisher, and on ontside electric power. Because the cells, made by taken most of the building's United Technologies, generate office space. Mr Durst's research power through a chemical, rather than a combustion process, they drome", which threatens the groups' current locations, then are considered environmentally compare it with employee output sound. The problem is that the in the first years after the move. energy cannot be turned off, meaning the cells will release electricity even when the build-

"We haven't solved that part yet," says Bob Fox, partner of the architecture group Fox & Fowle and head of the project's design. "We've explored selling the power during the slow time - say to the ntility companies. The problem is, they don't need it in the middle of the night either."

Mr Durst hopes the skyscraper will become a prototype for simiyears. "We estimate that energy realise that this sort of building makes economic, as well as envitha Four Times Square design is that this is the first of many."



High hopes: how the Condé Nest building will look

# Solar power for the poor

### Caspar Henderson on photovoltaics in developing countries

So far, most of the money has been directed to large scale coal, oil and hydro-electric projects. vate lending arm the Interna-But the more than 1.5bn rural poor worldwide, who have no and the Global Environment access to national grids, will funding entity that aims to pro-tect the global environment. The hardly benefit at all. Rather, says Christopher Fla-Bank and IFC, with planned assistance from the GEF, are vin of the World Watch Institute. a US-based environmental group, developing a Solar Development "both private banks and international aid agencies seem more Corporation (SDC) and a PV Mar-

interested in financing . . . proket Transformation Initiative jects that increase dependence on fossil fuels and damage the environment". rural areas would particularly But advances in photovoltaics. benefit from extensive PV or PV, the technology that turns deployment. Small PV arrays sunlight into electricity, make it connected to batteries known as more competitive with convensolar bome systems (SHS) would tional sources of power, espebecome common, generating cially those off-grid. What was a between 20W and 100W small, subsidy-dependent niche

mercial market within a decade. This, at least, is the intention of the World Bank Group, which

could expand into a fully com-

SHSs to 20,000 rural households. Other private suppliers have

Women and children in poor Millions of families in the enough to power four energy-ef-

black and white TV for about five hours a day. In many countries SHSs are

ficient light bulbs and a small

domestic companies have, with tional Finance Corporation (IFC), little government or international assistance - and in spite Facility (GEF), a concessional of high import tariffs - marketed, installed and maintained

> appeared in Indonesia, South Africa, the Dominican Republic, Sri Lanka and elsewhere. The Solar Electric Light Fund (Self). a US-based non-profit company, is setting up revolving credit funds to finance SHSs in Vietnam, the Chinese province of Gansu and the Indian states of Karnataka and Andhra Pradesh.

developing world could afford solar power tomorrow, says Neville Williams, president of Self, "if they could just get a loan". Self has established a commercial entity, Solar Electric Light

comprises the Bank itself, its pri- already popular. In Kenya eight already raised \$2.5m (£1.5m) in on system purchases or even the private equity from European investors to sell and service PV household systems in developing countries on a global scale.

Another private group that will supply and service developing country off-grid customers with PV-based electricity on a utility type basis is SunLight Power International. It has raised \$4.75m from European insurance companies, which are attracted both by the economics and the environmental potential.

The Bank and the GEF are also making available substantial amounts, including \$100m for 200,000 SHSs in three Indonesian provinces, and another \$55m in India, according to Richard Spencer of the Bank.

But barriers to widespread PV dissemination remain. Among the most serious, says an IFC Company or Selco, which has paper, "is not capital constraints commercial terms as possible.

prices of the systems themselves: it is the hesitation of relatively small industry players to commit to investing in and maintaining far-flung sales, distribution and financing networks."

The PVMTI and SDC, which should be launched shortly after an extended period of market research, will concentrate on dif-The \$30m, GEF-funded PVMTI peak) by 2010. will make multiple investments from \$500,000 to \$5m in existing and new consortiums in India. Morocco and Kenya that can offer innovative packages and applications for both on and off-

grid PV power. But, says the IFC's Dana Younger, the initiative will, through its external management agent, bring the conditions of the investment as close to

The SDC, by contrast, will finance only businesses and intermediaries operating in rural markets and dealing mainly with SHS. It will target projects in many countries in Africa, Latin America and Asia.

Initial capitalisation of around \$50m would be allocated on a "quasi-commercial basis", says Ms Younger, with a \$35m finance window and a \$15m business advisory service.

PV shipments have been growing at 15 per cent a year, are estimated to grow by 30 per cent this year, and at present rates will reach or exceed an annual ferent aspects of the problem. rate of 800MWp (Megawatts at

The resulting economies of scale would reduce the cost of PV-generated electricity from up to 30 cents a kilowatt hour to about 15 cents. But the IFC believes PVMTI could be an important contributor to speeding up the growth of the market - to as much as 4,000MWp a year by 2010. That would allow costs to fall to as little as eight cents a kWh. At prices this low, the 21st could truly be the solar century.

# Savings appeal to bank

The European Bank for Reconstruction and Development today announces a second tranche of finance to Prometheus, a Hungarian energy service company (Esco).

The move is a mark of confidence that investment in energy savings can be profitable and provide environmental benefits in the uncertain markets of central and eastern

Europe. In December 1995 the EBRD loaned \$5m (£3.1m) to Prometheus, which is 86.7 per cent owned by France's Compagnie Générale de Chauffe. It was the first loan by a multilateral development bank to an energy efficiency initiative.

Central and eastern European countries and the former Soviet Union inherited wasteful, pollutive energy system from communist times. But the uncertain climate for investment, together with ignorance of its potential, has meant that investment in improving efficiency has been

Escos specialise in energy conservation. Typically, they purchase, install and maintain equipment and management systems needed to generate significant energy savings for their clients. Escos are paid through contractual arrange ments that convert the customer's energy savings on energy costs into a stream of

Prometheus's customers have been municipal and other public sector buildings, such as hospitals, schools, barracks and prisons. So far, energy savings have averaged 19 per

The EBRD is now advancing a further \$17m, partly as debt finance and partly as working capital, and is taking a 20 per cent stake in the company. A further \$14m in bank loans will be arranged.

The second tranche of proects will include district heat ing schemes, a much larger market than the municipal

MSTERE



Obituary

Hero of the

comic strip

American pop artists, be was

also one of the most misunder-

stood. His best known paintings

were based on images found in

comic strips, but it is still fre-

quently assumed that the only

change he made was to increase

their scale. Few people - even

those familiar with Lichten-

stein's work - realised just how

radically and intelligently be

ransformed his source material.

Lichtenstein's youth was spent

oy Lichtenstein, who died on Manday at the

age of 73, was not only

one of the leading

### Dance Theatre of Harlem/William Deresiewicz

# Buzz of celebration greets Alicia Graf

here is always a special feeling in the theatre when one witnesses the arrival of a great new talent. The initial . surge of collective recognition, the unusual depth of silence as the performance unfolds, the exhalation of grateful applause an extra moment after the curtain drops. Then comes the buzz of celebration, as at the birth of a baby or the launching of a ship.

Such a feeling marked the recent New York debut of Alicia Graf with Dance Theatre of Harlem at Aaron Davis Hall. Graf, 18, was discovered at a regional outreach program by company director Arthur Mitchell less than a year ago, and has already been ushered into a variety of leading roles. It is no wonder. Graf is blessed, first of all, with a remarkable instrument: big, strong feet; long. voluptuous legs; a strikingly

Musical

flexible torso; and an elegantly articulated neck upon which perches a dainty head of Etruscan profile.

Tall as she is, though, Graf fills the whole of ber grand frame with energy and attention. Her powerful legs sweep through the air in fully shaped arcs or dart into space at maximum tension. Her upper body is now sinuous, now statuesque. Some ballerinas are birds, others feathers or colts. Graf is a great cat, stretching and pouncing.

Among this teenager's most impressive qualities is her self-confidence. As the Siren in Balanchine's Prodigal Son, she was neither timid nor too brazen. The role, designed to convey a sense of sexual mystery and power, requires a more mature dancer to do it full justice.

Nevertheless, Graf did exactly what one is supposed to do in a Balanchine ballet: she trusted the

steps. With a strong corps of "goons" and a decent Prodigal in Duncan Cooper, the ballet worked its decadent magic.

Graf's knockout punch came in The Four Temperoments. The whole cast looked razor-sharp in the work's taut statements of anxiety and portent. Dancer after dancer turned in

witty, elegant, marvellously self-possessed performances, etching their movements onto one's retina. Then came Graf in the finale, hurling thunderbolts, the very personification of Balanchine's ideals of courage, daring, and youth.

Her performance in Royston Maldoom's Adagietto #5 was merely by way of confirmation. Coiling and arching as she was handed back and forth between a pair of cavaliers, she fairly toyed with her material, luxuriating in the pleasure of such abundant physical prowess. There are still

plenty of questions about Graf we have yet to see her in the rapid footwork of petite allegro or the sustained control of supported adagio, a ballerina's most demanding skills - but she has already provided some rather impressive answers.

Her arrival comes at a fortuitous time for Dance Theatre of Harlem. The company has maintained its standards of training and artistic seriousness. but it is suffering from a relative dearth of exciting talent. Much of the lower ranks is new, and the corps looks patchy. The recent retirements of several longtime principals has brought a younger generation to the fore. But while women such as Tanya Wideman and Andrea Long are certainly fine, appealing dancers, they cannot lift a whole cast off the ground the way a ballerina must. Perhaps DTH is passing

through a period of transition in

the sparsity of the week-night audiences, and this in an already smallish theatre right in the middle of Harlem. No doubt many factors were involved, including a tight advertising budget. But I believe that one of them is the fact that DTH owes its conception to a very different period in American history. Mitchell founded the company in 1969, in the wake of the

another sense, I was struck by

assassination of Martin Luthe King. Just as King had fought for hlack inclusion in the political mainstream, so did Mitchell work for black participation in mainstream culture.

Such was the nature of identity in that liberal summer: one human community, hound together by a single set of universalist ideals, be they the political ideals of the European Enlightenment or the aesthetic ideals of European classicism. In

takes its bizarre title firstly from

protagonist Norman's weekend wanderings around Failsworth

and Chadderton in Lancashire,

and secondly from his attitude:

like the character in a children's

rhyme he recalls, when asked

bome hy Mickey Thump, he

"thowt a bit an' thowt a bit an'

thowt a wouldna mind". David

Threlfall, with a shock of white hair, beard and Norman's lucky

hobble-hat, moves around the lev-

els of Peter Mumford's ateeply

terraced stage, encountering on

hia peregrinations a range of

characters from the local floosie

to the ghosts of his brother and

As with the title, there are two

levels to Hope's play, one more

successful than the other. Nor-

man's mourning for the world he

once knew, lamenting that the

canal has been filled in beneath

the Ms, or that B&Q is open on

Sunday whilst the church is not,

will strike a chord with most

people. On the other hand, Hope

is intent on signposting Homeric

parallels: Norman's surname is

Nestor; he is not married to Pene-

lope (she's the wife of the pub

landlord, Hector) but to Cilla; his

first major tussle of the weekend

is with a one-eyed football referee

Laura Leigh's name recalls Lore-

lei), sometimes irritating (Laura

turns out to be Circe, the sorcer-

ess who turns men into swine.

and is hardly allowed to speak

without getting in a men-are-pigs

remark). Director Jude Kelly

rightly pays attention to the fore-

ground story, and also does her

best to gloss over the conclusion

to Norman's tale - which tran-

scends Lancastrian everyday and

simple classical parallel to

explained surreal nightmara.

Threlfall'a portrayal of Norman,

too, creates an unfailing sympa-

thy for the character even at his

most drunk and obstreperous,

whilst Lesley Nicol wrests as

many of the laughs as she can

Hope will find a more impres

sive authorial voice as his

impulse towards ostentation less-

from beneath his nose.

are playful (even a sport-

ing injury is, of course, to

the Achilles tendon: tarty

named Clopsie.

its mastery of ballet technique. DTH became one of the premier symbols of black America's claim to equality and respect.

A long generation later, liberal universalism has collapsed as a political ideology, nowhere more completely than in the African-American community,

This is the age of cultural separatism, or at least of an insistence on cultural difference. It thus cannot help but be an age of declining importance for Dance Theatre of Harlem, The company still tours extensively, still runs its school and its outreach programs. But a black ballet company can no more remain central to African-American expression than can Sydney Poitier remain the archetypal black film star. We are well into the age of Spike Lee and Bill T. Jones. Whether it

Servant Of Two Masters (in his

Goldoni's frenzied commedia

involves disguise, gender confusion, duelling, three will-they-

won't-they romances and several

instances of the wily manservant,

Truffaldino, simultaneously

hoodwinking both of the nobles

in whose employ, unknown to

each other, he has placed him-

self. In other words, quiet con-

templation is not high on the dra-

matic agenda. Paul Edwards

lts primary colours and skew-

whiff geometries, the set looks

like Venice as rendered in a 1960s

Chuck Jones animation. The cos-

tumes are similarly expherant:

Andrew Cryer as Truffaldino is

dressed in a barber's ensemble

seemingly stitched out of the Ital-

ian flag, whilst as Smeraldina,

Jax Williams' bead is aur-

mounted not so much with a bee-

ness hangs over the proceedings:

it is either the self-consciousness

(Michael Keating as Pantalone,

for instance) cannot give himself

wholly over to being ludicrous, or the self-consciousness of labour exhibited most visibly by Cryer -

he tries every device he knows to

come over as engagingly daft, but

we feel the technique rather than

the daftness. Precious few major

performances,

though, fail to aet the

audience alight. In short,

an air of self-conscious-

hive as an oast-bouse hairdo.

design hits the right note: with

own adaptation).

in Ohio. He graduated from art school in 1949, and taught art in Cleveland Ohio until 1957, then moved to teach in New York State and New Jersey universities. The latter appointment was crucial because be met Allen Kaprow, who took him to Hopis a better age I doubt. It is penings and introduced him to certainly a meaner one. artists such as Claes Oldenburg and Jim Dine. Theatre/Ian Shuttleworth

In the late 1950s Lichtenstein had started to introduce vernacular imagery into paintings that were otherwise Abstract Expres-

anonymous protagonists.

original, where the dots merge. Lichtenstein was an instant commercial and critical success from his first exhibition at Leo Castelli in New York in 1962. Elements of Lichtenstein's style even fed back into comic strips themselves. His influence is discernible in Marvel comics of the 1960s. They started to cut down on realistic detail, they emphasised undulating black curves,

After 1965, Lichtenstein's career lost direction and ha ometimes the citations of diffidence, when an actor never recaptured the deadpan intensity of his early work. He increasingly started to pastiche earlier styles of art – from Fan-vism and Abstract Expressionism to Cubism and Futurism hy giving them the Ben Day dot and clean contour treatment. He also adapted the same technique

guillaws were unloosed. Simon Cryer's music leans heavily on Louis Prima, with numbers including "Mambo Italiano" and "That's Amore". An earlier Nottingham production mada one feel that at any become an insufficiently moment the tide of ridiculousness would crash off the stage to engulf us all, hut Manley's version keeps within safe, unthreatening, and frankly unexciting

Odysseus Thump, West Yorkshire Playhouse, Leeds, until October 25 (0113 213 7700). Servant of Two Masters, Wolsey Theatre, Ipswich, until October eus; James Joyce, after all, ulti- 11 (01473 253725).

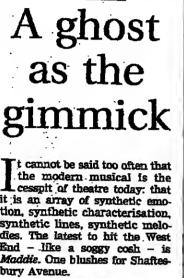
Homeric parallels sionist in style, but bis real breakthrough came in 1961 when he made his first comic-strip ichard Hope's first mately deleted the Homeric chap-full-length play, Odys-seus Thump at the West Yorkshire Playbouse, paintings, "Popeye" and "Look Mickey", and images based on advertisements such as "Girl With Ball". In terms of themes, Meanwhile at the Wolsey Thea-Girl With Ball" was to prove tre, Ispwich Andrew Manley, formore infloential. Lichtenstein's merly of Harrogate, takes up the mature work always features artistic director's reins with a

Lichtenstein's source material is always simplified, abstracted and intensified. In two images showing the heads of tearful women from 1963, "Drowning Girl" and "Hopeless", both images are cropped to bring the bead right to the front of the picture plane. The smndged, muddy colours of the original are purified. The letters in the speech bubbles are made more robust, less slanted. The black contour lines become broader and more elastic. Lichtenstein's most notorious feature - the representation of individual Ben Day dots, always painted by hand - is not even visible in the

and they even used irony. to sculpture and murals.

At his best, though, Lichtenstein was one of the most accomplished and distinctive artists of the century. His most ambitions and successful works were a series of paintings dealing with aerial dogfights. In "Whaam" (1963), which is owned by the Tate Gallery, the explosion which engulfed an enemy plane is as brilliantly orchestrated as the tangle of snakes that surrounds Laocoon in the famous classical sculpture. Indeed, in many respects the coolness and clarity of Lichtenstein's work can be seen as a form of neo-clas-

**James Hall** 



t cannot be said too often that the modern musical is the cesspit of theatre today: that it is an array of synthetic emotion, synthetic characterisation, synthetic lines, synthetic melo-dies. The latest to bit the West End - like a soggy cosh - is Maddie. One blushes for Shaftesbury Avenue. You gotta getta gimmick to

make a new musical these days. and the gimmick is usually, as here, the plot. The title character of Maddie is a wannabe star of the 1920s, who, having died young before she could fulfil her ambitions as a star, suddenly, in 1981, takes psychic possession of a young wife, Jan Cheyney and seduces Jan's husband, Nick. Every time Jan returns to herself, she finds her marriage disintegrating. But Maddie is hellbent on reaching stardom in her new life; or she would be, were it not for the fact that her old boyfriend Al, now an old man, happens to be the Cheyneys' landlord and appeals to her better self. She is, eventually, a good sport and departs. Jan, restored to herself for good, and Nick decide to make a go of their marriage after

Ghosts, nostalgia. and sentimentality, in buckets. Unfortunately, Shaun McKenna and Steven Dexter (authors of the book) have doused Maddie in the kind of formulaic parlance which at once distances us from real life and real feeling. As soon as Al starts to wax nostalgic to the Cheyneys about Maddie - "It was all a long time ago". "I was just a kid", "Boy, she was something!"

- we know we are straight back in the Never-Never Land that the ninnies who write modern musicals like to pretend only characterised old musicals. The "comic" dialogue, especially for supporting characters, is of a barely credible heavy handedness.

The show's virtues are mainly nagative. The lyrica, by McKenna, are remarkably tactful, never embarrassing, and never once interesting. Most of his big numbers are aggressive affirmations that make his characters the National Theatra Studio, sound as if they've just come out and has been staged at the Salis-



music, by Stephen Keeling, is to match: not an original thought in its head, politely determined to melt in and out of the dialogue without changing gear, and attempting now and then to pastiche Maddie's 1920s in brassheavy big-band terms that

coarsen them entirely. The negative virtnes of Maddie, which began life at

of therapy. "From Now On...!" bury Playbouse, deserve a stron-'Tm Not Afraid!" "Til Have My ger production than Martin Way!", "If Not For Me..." The Connor's. Both the best and worst performances are mere formulae.

It is in the conception and performance of Maddie that tha show fails most obviously, Maddie, we are told, surpassed Joan Crawford. This is hard to believe for anyone who has seen the young Crawford's epoch-making silent-movie account of a charles ton: but Maddie goes further ("Beat it Garbo!"). Summer Rognlia has the right manic drive, and

she can soften it for the unhanny modern peurosis of Jan. However, her tight braying vibrato, which she hardens to repellent effect as Maddie, is deeply irritating in either role, as is her exaggerated teeth-and-eyes acting. At no point does she convince us that Maddie is an original; both her Maddie and her Jan are mere

Alastair Macaulay

Lyric Theatre, London W1

### **■** AMSTERDAM

DANCE Het Muziektheater Tel: 31-20-551 8911 Moving Target: by Frédéric Flamand, Performed by Charleroi/Danses-Plan K; Oct 1

**BASLE** EXHIBITIONS Offentliche Kunstammlung Basel Tel: 41-61-271 0828 Peter and Samuel Birmann -Artists, Collectors, Dealers; at the Kunstmuseum; to Jan 11

### BERLIN

CONCERTS \_ Konzerthaus Tel: 49-30-203090 Berlin Symphony Orchestra: conducted by Zoltán Peskó in works by Schubert and Bruckner; Oct 3

Tel: 49-30-2548 8354 Berlin Philharmonic Orchestra: conducted by Claudio Abbado in chamber music by Hindemith, with soloists Kolja Blacher and Wolfram Christ, and Beethoven's Symphony No. 8 in F; Oct 1, 2, 3

DANCE Deutsche Oper Tel: 49-30-34384-01 Deutscha Oper Ballet programme of two works by MacMillan - Concerto and Das Lied von der Erde; Oct 2

# ■ BRUSSELS

La Monnaie Tel: 32-2-229 1211 Otello: by Verdi. New production conducted by Antonio Pappano in a staging by Willy Decker. Cast includes Susan Chilcott as Desdemona; Oct 1, 5

### **■ CHICAGO**

**OPFRA** Lyric Opera of Chicago Tel: 1-312-332 2244 Nabucco: by Verdi. New production staged by Elijah Moshinsky and conducted by Bruno Bartoletti. Cast includes Maria Guleghina and Samuel

Ramey; Oct 4 Peter Grimes: by Britten. Conducted by Mark Elder, making his Lyric Opera debut, in a staging by John Copley. Ben Heppner sings the title role; Oct

■ EDINBURGH EXHIBITIONS Royal Scottish Academy Tel: 44-131-624 6200 Sir Henry Raebum (1756-1823):

major exhibition of around 70 works by this most famous of Scottish painters: to Oct 5

#### **■ LONDON** CONCERTS Berbican Centre Tel: 44-171-638 8891 London Symphony Orchestra: conducted by Richard Hickox In a programme of works by Vaughan Williams. With soprano Rosa Mannion, tenor Thomas

Randle and the London

Symphony Chorus; Oct 2

Royal Festival Hall Tel: 44-171-9288800 World Piano Competition: afternoon and evening recitals by competitors in the Purcell Room, Sep 28 to Oct 5. The Grand Final is on Oct 7, with the Philharmonia Orchestra conducted by Alexander Sanderling, in the Festival Hall; to

Labatt's Apollo, Hammersmith Tel: 44-171-416 6082 The Royal Ballet: Romeo and Juliet. New season opens with Kenneth MacMillan's first full-length ballet, set to Prokofiev's score; Oct 1, 2,

**EXHIBITIONS** British Museum Tel: 44-171-636 1555 Hogarth and His Times: Serious Comedy. Selection of prints and an exploration of different historical approaches to them; to

(0171-494 5045).

Tate Gallery Tel: 44-171-887 8000 Turner on the Loire: selection of watercolours, engravings, and a long lost oil which document the painter's tour of northern France in 1826, the climax of which was his journey up the River Loire; to

**Barbican Theatre** Tel: 44-171-638 8891 The Royal Opera: Giulio Cesare, by Handel. New production, directed by Lindsay Posner and conducted by Ivor Bolton, with designs by Joanna Parker. Cast includes Amanda Roocroft and Ann Murray; Oct 1 The Royal Opera: The Turn of the Screw, by Britten. Colin Davis conducts a new production directed by Deborah Warner. Cast includes lan Bostridge; Oct 2, 4

■ The Royal Opera: Platée, by Rameau. New production directed and choreographed by Mark Morris, conducted by Nicholas McGegan; Oct 3

### ■ LOS ANGELES **EXHIBITIONS**

Museum of Contemporary Art Tel: 1-213-6266222 Jeff Wall: first retrospective exhibition of the Canadian artist whose photographic work draws on the narrative traditions of tableau painting; the exhibition has been seen in Washington and will travel to Japan; to Oct 5

L. A. Opera, Dorothy Chandler

Pavilion Tel: 1-213-972 8001 Florencia en el Amazonas: by Daniel Catan. Conducted by Roderick Brydon in a staging by Francesca Zambello. Cast includes Sheri Greenawald; Oct 5

### **■ MUNICH**

DANCE Bayerische Staatsoper Tei: 49-89-2185 1920 Bayerische Staatsballett: Swan Lake. Sets and costumes are by John Macfarlane; Oct 2

**EXHIBITIONS** Kunsthalle der Hypo-Kulturstiftung Tal: 49-89-224 412 COBRA 1948-1951: organised to mark the 50th anniversary of a post-war group of experimental artists who derived their movement's name from their three cities of origin: Copenhagen, Brussels and Amsterdam; to Jan 11

Bayerische Staatsoper Tel: 49-89-2185 1920 Aida: by Verdi, Conducted by Roberto Abbado in a staging by David Pountney; Oct 3 Peter Grimes: by Britten. Conducted by Jun Markl in a production directed by Tim Albery. The title role is sung by Philip Langridge; Oct 1, 5

**OPERA** 

NEW YORK EXHIBITIONS Metropolitan Museum of Art Tel: 1-212-879 5500

The Private Collection of Edgar

Degas: sold at auction after his death in 1918, more than 200 19th century French paintings and drawings collected by the artist who once imagined establishing his own museum. Includes works by Ingres, Delacroix, and impres including Manet, with one room devoted to works by Degas himself opens today

Museum of Modern Art Tel; 1-212-708 9480 On the Edge: Contemporary Art from the Werner and Elaine Dannheisser Collection. More then 80 works by artists including Tony Cragg and Cindy Sherman; to Jan 20

Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 Ariadne auf Naxos: by Strauss. Revival of a production staged by Elijah Moshinsky, with designs by Michael Yeargan; Oct

 Manon: by Massenet. Revival of a staging by Jean-Pierre Ponnelle; Oct 1, 4

#### PARIS **OPERA**

Opéra National de Paris, Opéra Bestille Tel: 33-1-44731300 Le Nozze di Figaro: by Mozart. Conducted by James Conton in a staging by Giorgio Strehler. Cast Includes Anthony Michaels-Moore; Oct 2, 6 Turandot: by Puccini. New production by Francesca Zambello, Conducted by Georges Prêtre; Oct 1, 4

Opéra National de Paris, Palais Garnier Tel: 33-1-43439696 Pelléas et Mélisande: by Debussy. Conducted by James Conlon in a staging by Robert Wilson. Cast includes Dawn Upshaw; Oct 3, 5

#### ■ TOKYO CONCERTS Suntory Hall Tel: 81-3-3289 9999 San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Copland, Bartok and Brahms; Oct 3

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave

EUROPEAN CABLE AND SATELLITE BUSINESS TV Monday to Friday, Central European Time:

648 kHZ (463m)

 NBC/Super Channel 07.00: FT Business Morning 10.00: European Money Wheel Nonstop live coverage until 15.00 of European business and the financial markets. 17.30: Financial Times Business Tonight

08.30: Squawk Box 10.00: European Money Wheel 18,00: Financial Times Business Tonight

Lionel Barber

act as a rogue currency, as

agree to be bound by certain

rules on currency disci-

To date, the Labour gov-

ernment, like its conserva-

tive predecessor, has kept

mum. Mr Blair has not

offered to rejoin the

Exchange Rate Mechanism,

the ejection from which which doomed his predeces-

sor. Yet the French, the

Germans, and the European

Commission insist that

being part of the ERM is a

legal pre-condition for Emu

membership. The only sign

of discomfort in London is

that UK government law-

yers regularly turn up in

Brussels arguing that the Maastricht treaty says no

The Maastricht treaty

stipulates that currencles

margin of fluctuation for at

least two years in the ERM,

without devaluation. The

question of what is "nor-

mai" is becoming ever more

pressing. This month, EU

finance ministers agreed to

The declaration of

intent that the

matters; the

secondary

UK will one day

participation is of

must respect a "normal"

such thing.

pline?

# Emu endgame

Britain is becoming an active partner in Europe, rather than the passive bystander it once was

t's semi-official. The British government is the single currency. Uncerabout to take a more tainty about British intenpositive attitude to tions would be awkward economic and monetary from a diplomatic point of union. The London stock view. But the more serious market is euphoric. The issue is the relationship Europeans, however, are between sterling and the not so easily seduced. core Emu group. Will the pound reserve the right to

No one in Brussels is betting on Britain being a founder member of Emu on it did after 1992? Or will it January 1, 1999. The economic objections are strong, the legal obstacles virtually insuperable. The working assumption is that the British will enter monetary union in early 2002, when the first euro-coins and notes start circulating and Emu becomes a fact of life.

In other words, Britain will wait and join. John Major might well have pursued the same approach to Emu membership had he not lost the general election. Here is the big difference: European leaders assume Mr Blair can deliver on his policy promises - deliver not just the Labour party, but also the country. In the light of this assumption, the declaration of intent that the UK will one day join monetary union is what matters; the timing of British participation is of secondary importance.

Jacques Santer, the president of the European Commission, often jokes that Britain has had the best of both worlds. Ministers have sat in the negotiations on the terms of the single currency, while retaining the right under the Maastricht treaty opt-out not to take part. Kenneth Clarke, the former UK chancellor, join Emu is what turned up in meetings supposedly bound by Tory-Euro-sceptics. In practice, be was never gagged and his timing of its interventions were often decisive.

Now the technical discussions are virtually wrapped up. The Emu end-game is under way. In May 1998, Mr importance Blair will chair the summit at which EU leaders will choose which countries

in the first Emu convoy, ahead of the irrevocable fixing of exchange rates on January 1, 1999.

The markets and the politicians now view this sevenmonth period, which includes a German general election, as the point of transition to the euro. The Europeans hope that the British will behave, in or out of monetary union.

A British "wait and join" policy raises other questions in Europe. Will the Labour government show its good faith by joining the new Exchange Rate Mechanism - the ERM 2 - which is designed to limit volatility between the euro and currencies ontside the single currency zone? How will the British respond to being excluded from decisions on the operation of the European Central Bank, notably on monetary policy? And will the British insist that one of the ECB's six executive seats be kept warm for Eddie George or his succes-

Mr Blair has yet to show his hand, but he is surely aware of the bigger picture. A British declaration of intent to join Emu would be the most significant commitment to Europe since Ted Heath took Britain into the European Economic Community more than 25 years ago. It would transform the political landscape

inside the European Union. First, other semi-detached countries such as Denmark and Sweden would be forced to follow Britain into monetary union. They will meet the economic criteria for entry, but remain hesitant in the face of sceptical public opinion. They could ride into Emu on Mr Blair's coat-

Second, British participation in Emu would tilt the balance of power away from the dominant rranco-der-man alliance. Traditional the dominant Franco-Ger- be no more than a vague

meet the entry criteria for "pre-announce" bilateral British policy toward parities between currencies Europe has too often followed the principle of "divide, divert, or delay". The result, says one European central bank governor, is that Paris and Bonn have enjoyed free rem.

> Yet the Franco-German alliance is increasingly under strain. The warning maximum danger for the signs have been flashing ever since German unification. France is reluctant to commit itself to the deeper political integration which Germany insists is the price for the single currency. Chancellor Kohl has placed all bets on the euro. But as one Scandinavian diplomat remarks: it is not healthy to have one man dominating the agenda, however his-

toric a figure he may be. Third, Britain can make a serious contribution to the debate on how monetary union will work in practice The new Labour government has already shown the way with its policy of com-hining fiscal discipline with labour market flexibility. We do not want champagne socialism, says one German diplomat, what we need in Europe is Margaret Thatcher without the

Roughly translated, Britain suddenly finds itself in the mainstream, s country able and willing to make a success of Emu rather than one sniping on the sidelines. The financial markets may have come round to the idea that Emu will go ahead on schedule, but British participation would strengthen the credibility of the project beyond measure.

Of course, there are risks member states and interin Britain taking part in the ested lobby groups. How venture. Whatever the politeasy it is to attack someical will behind the project, thing that is foreign and difit could go wrong . espe cially if the entry criteria What is surprising is that are interpreted too gener-Mr Price's ringing declaraously. But Mr Blair has tions of the need for demograsped that leadership in cratic control and account-Europe comes at a price. ability have not been made Without joining Emu, it can about things closer to home - the English parliamentary system, with a voting system aspiration.

# LETTERS TO THE EDITOR

Number One Southwark Brieffe, Loudon SEI 9HL

We are keen to encourage letters from readers around the world Letters may be fixed to '44' 171-872 1938 (pleases to 'fine'), e-mail: letters editor@ic.com Published letters are also symbolic out this FT web size, http://www.FT.com/

to 'fine'), e-mail: letters editor@ic.com Published letters are also symbolic usin hose national languages.

Translation may be available for letters written agine usin hose national languages.

# German tax reform plan a high-risk strategy

Sir, Re your leader, "Germany's tax muddle" (September 29), the failure of Germany's political elites to agree on wholesale tax reforms has given rise to a question well known - but resolved - in Britain: Who

governs? Technically speaking. seeking to introduce tax reform of such magnitude one year before the general elections was always going to be a high-risk strategy. Furthermore, bearing in time-consuming architecture of the federal policy-making process in Germany, such a reform project deserved prime attention at the beginning, and not near the end, of the parliamentary cycle.

From Mr Fergus Randolph, Sir, Leolin Price (Letters,

September 27/28) must be

congratulated for his consis-

tency. He has been unswerv-

ing in his opposition to all

over the years. That is his

However, his jibes against

Europe are sadly jingoistic

and misinformed. The Com-

munity machine is not per-

described as oppressive with

which is very far from repre-

sentative and a control appa-

ratus for the executive

Fergus Randolph,

B-1040 Brussels,

which the Borgias would

36 Avenue D'Anderghem,

From Mr Peter Frankel.

Sir. One of the most fright-

ening aspects of the whole

discussion on Emu is the

reluctance of the media in

general to try and under-

stand what it really means.

Emu is simply an arrange-

ment of e single currency

one addresses the points

The impression is given that

which would suit the UK. No

all the input given to it by

fect but it can hardly be

things "communautaire"

Tax reform measures of Gordon Brown, the chancellor, in his first Labour budget is a contrasting example.

The existing German tax system is anything but systematic. It legally encourages the ingenuity of individuals and companies to pay less or avoid paying taxes at all. For instance numerous tax credits were introduced after unification to energise investment in housing construction in east Germany. This policy is now starting to backfire, having mainly benefited west German citizens with higher

In the light of the federal budget being stretched to its spending limits for unification, and the disciplinary effect of the Maastricht con-

Look closer to home for example of

oppressive parliamentary system

government's tax reform proposal had to answer the ruestion of how the revenue shortfall would be compensated for. The failure to do so in a convincing way not only made the opposition's rejection easier, but also alienated the conservative allies of Chancellor Kohl at the regional level. In particu lar, east German politicians feared that consumption

Jens Bastian, London School of Remomics. Houghton Street,

ARENT YOU BEING

BIT TOO COMMUNAUTAIRE

and it would, after 1,000

years, totally lose its inde-

• The fact that we may

peted by politicians as a

have a say has been trum-

great achievement. We will

have one vote and any one

large country like Germany,

for instance, with a number

under a qualified voting pro-

The UK would lose not

only its independence, but its present ability to trade

with the world on its own

terms. Emu is a disaster for

the country and the greatest

betrayal of those who died in

the second world war to

keep the UK independent.

Peter Frankel

Chapel Road,

Limpsfield Common.

Surrey RH8 OSX,

of smaller countries can

out-vote the UK any time

cedure.

vergence criteria, the Kohl taxes would be increased and transfers from west to east reduced.

lecturer in German political

### A doubtful history

From Mr J.M. Gutierret. Sir, Bigotry is not in the line of FT, and so Bryan Cheyette's article "An innocent in Papal politics" (Sep. tember 27-28) is surprising even for those familiar with mid-Victorian, anti-Catholic trash. Mr Cheyette is obviously familiar with it, although certainly not with the Italy of the time, described as "in the midst of transforming itself from a medieval theocracy into a modern democracy

I wonder whether Mr Cheyette will be one of those whose knowledge of history is based in Schiller's Don Carles and Dumas' The Three Musketeers.

J.M. Guilerrez. Libreros 54,

### Old brands can be re-born

From Sir Terence Contan. Sir. I was really quite surprised by Chris Haskins criticism of New Labour's desire to re-brand Britain ... when he says that it's better to ditch a neglected brand rather than re-invent it (Branding of Britishness should be scrapped", Sep-

tember 29). . There are hundreds of examples of brands - such as Asda, The Guardian, Jaguar, Gucci, Prada, British Airways, Guinness, Filofax, even Quaglino's - which have been "re-invented" by new management and new creativity. This is exactly what we now have in the shape of this government.

It's the quality of the product and service offered that alters the perception of the name, so we could have a torrent of companies rushing to put "British" back in . . front of their names.

Terence Conran, 22 Shad Thames London SE1 2YU, UK

### Iran denied rewards

From Katayoun

Jarrah-Layegh. Sir, With respect to your eader "The Saudi exception" (September 25), it is evident that the UK and the US follow a foreign policy in the Gulf which rewards the Saudis and perpetuates their seriously backward system of government, but denies the same rewards to that of a far less repressive one:

The Iranian state continues to be treated as a parish despite the fact that it far more politically advanced and more open to public opinion than any other in

the Gulf.
Furthermore, looking closely at Iran's foreign policy, it is quite clear that it shares an important feature with that of the UK and the US: there is a serious gap between rhetoric and action.

If Robin Cook, the UK foreign secretary, is serious about his "ethical" foreign policy, perhaps he could recognise that it is vital to encourage further democratisation in Iran and to discourage a medieval system of justice in Saudi Arabia.

Katayoun Jarrah Layegh, 20 Folgate Street, London El 6BK. UK

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### Ancient mystery offers modern message

which are relative to its true

It is only the end of the.

including economic union

with other European coun-

tries. It therefore would spell

out the end of democracy as

we know it in the UK, as no

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England, which do not

The reserves of foreign:

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· It is quite obvious that

Emn would lead invariably

to a federation of European

make Britain just a province

the British people, as the

chain of a number of events.

from Mr Jalees Ahmed

Sir, I have just solved with the help of my computer the 5,000-year-old mystery of the Egyptian hieroglyphics, And this is the story they tell:

"Egypt had a great civilisation where people lived in then evil befell it.

"Every year the Nile started rising and flooding the land, and a fair maiden had to be sacrificed to calm it. One year it demanded the most charming young lady of the land. The people begged the Nile to spare ber. She is innocent, she loves the children, helps the poor, and tends to the sick. We will not sacrifice her,' they said. They heard a roar. If you do not, then we will go

and get her'. And the Nile rose and flooded Egypt, and the waves chased and chased and chased her relentlessly, and finally when she tried to hide in a tunnel they engulfed and devoured her.

The Nile then calmed down. "The people again went to the Nile and asked sadly, Oh Nile, why did you do this?' But the Nile expressed ignorance and said, 'I serve you and never ask for any human sacrifice. It is the Papyrus growing along my banks, which you use for writing and for printing your tabloid newspapers. It is these papyrus who actually chase the charming ladies and fair maidens who sail on

my calm waters to relax.

The rotten ones among them multiply uncontrollably

every year in summer and stop the flow of my waters. and flood fair Egypt. It is they who ask for the sacrifice. I am innocent. Do not blame me.'

"The people of Egypt understood. From then onwards they started pruning and ridding the Nile of the extra rotten papyrus every year, and the fair maidens and the people of Egypt then lived happily

ever after." This is the secret of the Sounds familiar 5,000 years later, doesn't fit?

Jalees Ahmed Faruqui. 144/M Hali Road, Pechs II,

## Theory ignores composition of trade and competition

From Mr John A. Skolas. Sir, The US economy exhibits healthy growth, low unemployment and low inflation. A growing "New World" view holds that conditions have fundamentally changed, enabling a robust low inflation economy to continue indefinitely. Under the opposing view, articulated by Gerard Baker

("Brave new world", September 9), the US economy has a 2.3 to 2.5 per cent speed limit on growth and a 5.5 to 6 per cent unemployment floor. Mr. Baker addressed the "two main reasons" supporting the New World thesis.

First, globalisation of US business is said to limit price increases. Dr Paul Krugman of MIT observed that trade is less than 30 per cent of the US economy while countries with much larger trade exposure do not enjoy the same robust low inflation economy. Krugman concluded. "there is no evidence to support claims that globalisation is inherently anti-inflationary". That seems accurate but unhelpful. It stops short of such analytically messy factors as the composition of trade and the US competitive environ-

ment. Surely foreign competitors with cost advantages hold down prices in price sensitive markets. If businesses maintain lower prices for fear of imports gaining . market share, the effect is the same whether imports' share is 5 or 50 per cent.

Perhaps anti-inflationary expectations should figure more prominently in the debate. The idea that globalieation limits price increases

tion that many US industries throughout the economy cor-have limited pricing power. relate to semiconductors have limited pricing power. Reports of consumer price resistance coincide with a baby boomer population saving for retirement.

The second reason supporting the New World the sis is increased productivity. which is attributed to information technology but unproved by arguably. flawed official statistics. One wonders if productivity statistics capture the impact of advancing technology on competition. For example, as semiconductors pervade products from alarm clocks to autos to telephony. Moore's law speaks to economics. Chip producers steadily lower prices during the short window between product generations limiting margins for slower competitors. Product life cycles

declining price/performance ratio - old news in consumer electronics, computers and software. As semiconductor technology spreads through goods and services the rapid innovation and price declines of that hadustry are infused into competition throughout the economy. Hidden productivity? Certainly not hidden inflation! New World thesis lacks an ending. Maybe inflation will not come before recession this time. Semiconductor history reminds us that advancing technologies provide their -Own cycles.

John A. Skolas, 129 Hamilton Road Pennsylvania 19350, US.

# FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday October 1 1997

# Asean is smogbound

The honest tollers of south-east ucts. Ekran, the company which Asia must feel a suffocating has been promoting Malaysia's sense of impotence at the smog which continues to blanket them. It was the vagaries of the El Niño current that caused the drought that fuelled Indonesia's forest fires. Since it was the prevailing wind which hlew the smoke across the region, its people can see themselves as

the victims of a hostile nature. But only partly. Like the currency crisis before it, the smog is also the consequence of had government and the failure of international collaboration. The region needs to find a way to deal with these problems. Otherwise they will crimp its economic and social development and the Association of Southeast Asian Nations may never emerge as a strong and stabilising force across the Pacific.

There would be fewer forest fires if Indovesia had not pursued a flawed migration policy which encourages deforestation. If it was determined to enforce the law against loggers starting fires, there would be fewer still. All too often the authorities have shown themselves prepared to turn a blind eye in return for a bribe, especially when rich and influential log- sis, so the smog is a conse ging interests have been

It is hard for Indonesia'a neighbours to complain when

controversial Bakum dam, made little secret of the julcy logging profits that would follow from the project whether the power station made sense or not.

Yet the environment is quint essentially a supranational issue. If Asean cannot collaborate on that, there must be doubts about its ability to collaborate meaningfully on anything. So far it has done little collectively about the smog, not least hecause of the traditional reluctance of any of its memhers to broach a subject that might give offence to another.

In this, as in the economic sphere, collaboration will not work unless Asean governments are more direct with each other. indonesia has paid a price for keeping mum about Thailand's weak economic management. Singapore is now suffering because of Indonesia's weak

environmental safeguards. As for domestic policy, the rule of law and sensible policies properly enforced are pre-requisites of sustainable economic growth. Just as Asean members failure to regulate their banks helped spark the currency criquence of their failures in environmental protection. Asean must do better if it is to deliver the prosperous and civil society few have effective policies for to which its middle class citi sustainable trade in forest prod- zens increasingly aspire.

# Blair's pulpit

grandeur of its leader's ambitions, there should be none after Tony Blair's conference address yesterday. His aim is not just to reshape his party, modernise the welfare state or overhaul Britain's constitution. It is to preside over "one of the great radical reforming governments of our history", creating "the

model 21st century nation". What can be mean? In yesterday's speech, the prime minister finally seems to have found words to convey the "special responsibilities" he believes to arise from his landslide victory. in May. They are no less awesome for being made explicit.

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Beller Bradent

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He says he means to lead a government that transforms public life in its broadest definition, from the nature of party politica to the relationship between individuals and their society; one that wins Britain a new prominence in the world and reclaims its "destiny" to lead in Europe; one that combines "progress and justice", . global competitiveness and social compassion.

The easiest reaction to such bold claims is to deride them. The rhetoric is laden with religious, almost millennial overtones that jar in a secular conference hall. The vision seems down-to-earth targets such as meaningful opposition at all.

in Algeria today.

unbelievable barbarity which

where it remains strong there

has already been a de facto

Still, it must be good news

that the largest armed opposi-

tion group, linked to the party

which won the aborted general

election of December 1991, has

now officially suspended hostili-

ties and unequivocally

denounced the continuing vio-

Mustapha Kamel, hitherto the

dissociated himself from it,

rightly denouncing its thought

and actions as "shameful".

Mr Kamel's change of heart

may or may not have been

prompted by the British police,

who interviewed him last week.

Nor is it at all certain whether

the GIA (which last week

claimed responsibility for recent

massacres and promised to

truce for some time.

If there were eny in the Labour cutting class sizes - or even party tempted to question the with its important achievements such as reforming the operation of monetary policy.

instincts and calculation the political guard.

tory: of his admiration for Liberal statesmen such as Lloyd George, Keynes and Beveridge, He sees a century of Conservative domination, thanks to divisions in the centre-left, giving way to one in which a new Labour/Liberal Democrat coalition turns the tables.

On this level, Mr Blair's imaginings do not seem quite so farfetched. Forget for a second the detail of welfare reform or the nitty-gritty of Lib-Lab negotiations. The prime minister has set out a multi-faceted agenda of reform that he knows he cannot achieve in one term, and probably will not achieve with Labour governing alone. The more difficult it gets, the more he will reach out beyond his own party and seek to co-opt other centrist forces, such as the European wing of the Con-

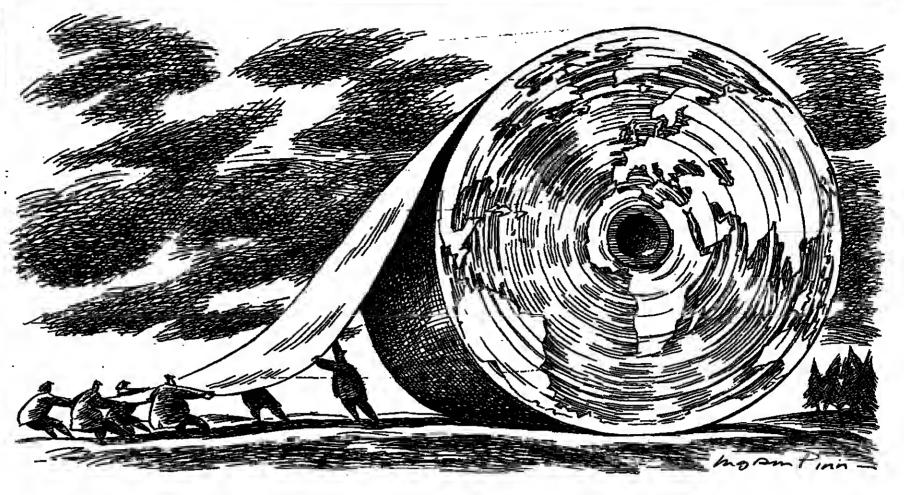
servative party.

The party faithful knew he so far removed from current was unlikely to be deterred by reality as to be fanciful. It cer- internal opposition. It is begintainly strikes a contrast with ning to seem as if Mr Blair's the Blair administration's more real aim is to govern with no

But such cynicism seems literally beside the point. Mr Blair - a strange mixture of ideals, clearly believes he has tapped into something a lot deeper than a momentary changing of

He speaks of the sweep of his

### **COMMENT & ANALYSIS**



# Consolidation on a roll

The pulp and paper industry is reacting to volatile prices and the rise of low-cost rivals, says Tim Burt

joining the rush to globalise. For years, the markets for pulp and paper have mostly been divided geographically. Big US companies like Wsyerhaeuser dominated America. Nordic companies held sway in Europe

Now, European and North American producers are merging in response to a sharp fall in prices - pulp prices almost halved in the past two years. Northern producers are also facing the challenge of lower-cost Asian and Latin American suppliers which are beginning to sell pulp and paper into markets they once dominated.

"What we are seeing is a twintrack process where there is consolidation under way in the mature markets and a globalisation into new markets," says Peder Hasslev, pulp and paper analyst at Deutsche Morgan Grenfell in Stockholm. "The players competing in a much big-

ger arena." To avoid becoming victims of this trend, the largest European producers have decided to get bigger quicker. Now, in the third big global tie-up within a month, UPM-Kymmene, Finland'a and Europe's biggest pulp and paper group, has bought Blandin Paper, one of North America's largest producers of magazine-grade

"At last," says Juha Niemelä, chief executiva of the Finnish group, "we will have realised our aim of having a presence in the American market Speaking in Helsinki, where

UPM-Kymmena yesterday announced it was paying \$650m (£404m) for Blandin, Mr Niemelä predicted that the enlarged company would emerge as one of a bandful of global pulp and paper producers.

The Finnish group expects to join rivals such as International Paper\_and Weyerhaeuser of the

asked to hang on during a second rows, like the one over.

Mexico's on tillication and TSS

ally in the war against drug Silva Herzog says his may hi Washington was "the most painful and difficult period in

my life".
The son of a hundrary of the

Institutional Revolutionary

- with as little success as

Party, Reyes Heroles was orac called in to reform the incombin that has roled Mexico since 1929

everyone else. His stormy time as energy ministen was montand by a failed attempt to investiga-

the petrochemical division of

Pener, the state oil monopoly.

Tet another industry is US, Sappi of South Africa, and Nordic neighbours SCA and Stora of Sweden in a top flight of companies that hope to emerge leaner and fitter from the paper industry'a hruising two-year

> The downturn, which saw pulp prices fall from their 1995 peak of hand and small specialist \$1,000 a tonna to \$540 a few months ago, prompted a rapid consolidation among paper producers. Weaker companies were swallowed up and the survivors looked for growth outside their mature domestic markets.

The fall in prices also forced companies to re-examine their costs. Where that has meant shutting unprofitable production lines and switching investments overseas, companies have proved willing to do so.

In recent months, for example International Paper announced plans to eliminate 9,000 jobs, or 10 per cent of its workforce, and to raise \$1hn by selling off noncore assets. UPM-Kymmene, itself industry could end up with fewer formed by a merger last year, is further increases to \$610 in the previous period. writing off FM800m (£94m) on the pipeline. Beyond that pulp-pro- UPM-Kymmene, its new parent, sale of its St Etienne magazine ducers hope to reach \$650 a described its magazine results as paper mill in France.

> have also turned their eyes to the rapidly growing emerging markets. So it was that UPM-Kymmene announced its tie-up last month with Asia Pacific Resources International, tha Singapore-based paper group. When it comes to acquisitions. Europe is too small for us now," Mr Niemela said at the time.

The Finnish group's move was followed within days by Stora's announcement of a joint venture with Odebrecht, the Brazilian industrial conglomerate, to invest up to \$1.5bn in a new plant in north-east Brazil.

"Northern companies now need a production base in low-cost countries and access to these faster-growing markets," says Carl Weaver, paper and pulp analyst at Paribas BBA Creditanstalt

Carl Johan Krigstrom, an ana- snapping up smaller competitors lyst at Enskilda Securities in London, says such moves point to a growing polarisation in the industry. He believes mediumsized players will be squeezed out in a two-tier system dominated by global companies on the one regional producers on the

Some companies "are still playing this industry as they did in the 1980s: putting on more capacity and waiting for prices to increase," If they continue to do so, they risk being wiped ont, says Mr Krigstrom.

That strategy contributed pushed prices into free-fall after 1995. Anxious not to make the same mistake again, the largest companies say they are now tailoring supply much more closely

In recent months, a cut in stocks has helped lift pulp prices

Deutsche Morgan Grenfell says some paper producers have not yet pushed through price increases to offset higher pulp costs. Failure to raise prices, particularly in the highly competitive fine paper and newsprint sectors, could make those companies vulnerable to takeover.

In Europe, that consolidation Nordic groups. Thay have actively sought out acquisition targets in central and eastern Europe - most notably Assi-Doman of Sweden and Enso of Additional reporting by Finland. They have also been Greg McIvor

at home.

Some analysts believe the biggest companies, by looking further afield for growth prospects, are showing their reluctance to invest in more mature European takeover candidates. To turn them round often require hefty restructuring.

There are also signs that some producers are scaling back their activities in lower-margin sectors, such as fine paper, to concentrata on more attractive opportunities in areas like magazine production.

UPM-Kymmene, for example. wants to increase its exposure to directly to the over-capacity that magazine paper, where it last year enjoyed margins of 18 per cent compared with a lowly 1.3 per cent in fine paper. Even in magazine production,

producers have not been immune from pricing pressures. Blandin reported a loss of \$9m in the 12 from \$540 to \$580 a tonne, with pared with a \$75m profit in the

tonne. These increases will bene- unsatisfactory last year: they fell While catting costs at home, fit the integrated groups - those from FM2.8bn to FM2.07bn. And the world's hig paper producers companies that produce both for the group as a whole, the pulp and paper - but dedicated sharp price falls pushed operatpaper manufacturers are being ing profits down from FM8.5bu to FM5.59bn. Tha company has promised

r Hasslev at that this year's figures will show a significant improvement on 1996. But it will be some time before the full impact of the Blandin acquisition and its Asian expansion begins to pay divi-

In the meantime, some industry analysts are predicting a further shake-out among European and US manufacturers. "The leading companies are all agreed on what the future holds," says has been spearheaded by the big Mr Niemelä. "There will be only a few global companies in the

claimed it was running a

# Go south young man

A tropical climate, fartile soil and vast tracts of inexpensive land, combined with relatively cheap labour, make Brazil one of the world's lowest-cost producers of wood.

It is this prospect that is attracting international forestry groops to its fast-growing paper and pulp industry. Earlier this month, Stora, the Swedish forestry group, announced a joint venture with Odebrecht, the Brazilian industrial conglomerate. The two partners plan to invest \$1.5bn in a pulp operation in the north-eastern state of Babia expected to produce 750,000 tonnes a year. Stora intends to use the pulp for its own plants in Europe and for planned production in sonth-east Asia. Sten Holmberg. Stora's head of planning and analysis, says the price of hardwood in Brazil is around half that in Europe.

The expansion of Brazil's pulp industry is part of a wider shift from the northern to the months to June 30 this year, com- southern hemisphere where countries such as Indonesia offer low costs and abundant

> While demand for paper is stagnant in many developed countries, markets like Brazil are growing fast. Morgan Stanley Dean Witter estimates that paper demand in Brazil will grow by 5 per cent a year over the next five years, with coated paper expected to grow by 15 per ceut annually through the expansion of the direct-mail industry.

of wood.

Against such a hackground, the industry in Brazil, which is still fragmented, is expected to see a wave of takeovers and joint ventures. Foreign companies will not have it all their own way. At least two of the largest Brazilian paper and pulp groups, Aracruz and VCP, part of the family-controlled Grupo Votorantim, are sitting on buge cash piles and are eager to expand. The focus in Brazil may be sbifting to its home-grown entrepreneurs.

**Geoff Dyer** 

### Algerian murk 20BSERVER.

in São Paulo.

#### Washington A ceasefire called by the Islamic explanations have been given Salvation Army (AIS) - armed for the massacres, ranging from wing of the Islamic Salvation tribal fends through jealousy

DOST

Front (FIS) - comes into force over land grants to cynical manipulation by elements of the This may make no immediate regime opposed to any comprolestis Reyes Hero M Jestis Reyes Hencles, who a soon be harmed Mericia.
Surjustance to decring with political and immutes. Esc.

protectly just as well

Silva Herzog wented to diffe units then a year ago; but was asked to large an determine asked to large and determine asked to large asked difference to the massacres of mise with the Islamists. But what has long been clear,

continue to be reported from at least to most external observthe Algiers region, where the ers of Algeria's agony, is that AIS had long since lost out to there was little hope of ending the more extreme Armed the violence so long as its perpe-Islamic Group (GIA). In the trators could claim a degree of eastern and western regions Islamic or even democratic legitimacy, while the security forces battling against it (or cigiming to do so) were regarded with deep hostility and mistrust by much of the population. The extremists had to be isolated politically, and the criminals deprived of their religio-political cover, before there was any hope of defeating them militarily. In that respect, the lence. It is also good news that latest developments offer hope.

They will only bear fruit,

GIA's leading apologist outside however, if the ceasefire the country, yesterday formally, ostensibly unilateral, in fact the truit of negotiations between military commanders - is used as an opportunity for real political dialogue. Outsiders who make this obvious point are routinely accused of "interference" by the regime. Yet loans, investments and arms sales, all eagerly welcomed by the regime, can be just as intrusive if they enable it to continue carry out more) still exists as a seeking a solution through lessunified group, or who else than-free elections and the simmight be behind it. All kinds of ple "eradication" of opponents.

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and quik to heart France's and quik to itself france's definee programmed agency. Now, Catoot has opted to step down at the mandatory pathement age of 55 rather than seek an extension other keeping seekny one guessing for a few mounts. The which is the driver's continued to the

Off the park

Property dealer Mibelis Prochamas won't be the only one pleased that he's enloaded his 70. per best stake for submited.
Afficies somer beam AER to UK investment company ENIC he claims to have doubled his money to two years. The fans are delighted with the news.
They weren't happy about the
argumentative Proclamas's
sacking last year of Dusan
Bajevic, the manager who led ARK to three consecutive league liftes in 1992 94 — especially as he did the same last season with Olympiakos. There have been chants from the terracing of

"Out with Troch" at home

gaines.
AFE has always played third
Soldle to the other big Athens citas Panathinaikos and Olympiskos, and before Persent, the state dil monopole.

Which is the very embodiment of subjunctive field in the driver's particular was comparison with the job stating subjunctive field the group's overdener; and subjunctive field in the driver's consisting market, increasing the subjunctive field in the chromody amount and the field of the chromody and the chr Trochenes was controlled by a

Bahamas-based billionaire Joe · Lewis ENIC's higgest shareholder, won't be looking for such modest returns. For scareone who's not remotely interested in soctball - golf is his game - Lewis seems to find soccer clubs irresistible. ENIC already has chunks of Italy's Vicenza and Scotland's Glasgow Rangers, and with his youthful and frighteningly energetic lieutenant Dan Levy at ENIC's

helm in London, there's plenty

Roh previous

more action in store.

Kim Woo-chong, chairman of South Korea's giant Daewoo group, is touchy about his image abroad So vesterday's presidential pardon on his conviction for bribing former president Roh Tae wito - his second paidon on corruption charges - must have been a relief.

Kim once cancelled an overseas rights issue after Inding that he'd have to disclose his previous conviction in the prospectus. BZW, which is managing a forthcoming bond asue for Daewoo, has apparently learned the lesson its circular mentions Rob's trial, and notes that it resulted in suspended jail terms for executives of many of the business groups concerned". No names, no pack drill.

Financial Times 100 years ago

Crisis in Spain

Madrid, 80th Sept. The ministerial crisis occupies the whole attention of the public, who now begin to realise the gravity of the situation. It is rumoured that never since the Restoration in 1868 has the position been so serious for the welfare of the country. Politicians are of opinion that no coalition Cabinet can be ... formed, and that the new Ministry will have to consist entirely of Liberals. It is eserted that General Azcarraga experienced considerable surprise at the Queen Regent accepting the resignation of his Cabinet. Every attempt to put an end to the split among his colleagues failed, and the resignation of the Ministry became inevitable.

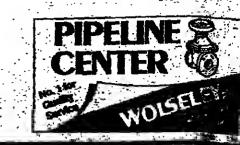
50 years ago

And For Europe Aflantic City, 30th Sept. Establishment of a.U.S. Government Corporation to administer U.S aid for European reconstruction under the Marshall Plan and stop-gap aid before the plan becomes effective was proposed here to day by Mr. Winthrop W. Aldrich. chairman of the Chase Manhattan Bank



# FINANCIAL TIMES

Wednesday October 1 1997



Commission urges waiver under sanctions act

# EU defends Total's Iran deal against US attack

By Guy de Jonquières and Robert Corzine in London and Chrystia Freeland in Moscow

The US and the European Union yesterday hardened positions in their confrontation over the \$2bn contract signed by Total, the French energy group, to develop an Iranian gas field.

Defending Total's decision, Sir Leon Brittan, Europe's trade commissioner, urged the US to grant European companies a waiver under the Iran-Libya sanctions act, which requires sanctions on foreign investors in the two countries' energy industries.

He said a waiver would prevent conflict between the US and EU. Failure to grant one risked unleashing "a chain of events which would seriously damage the wider relationship which is of such huge importance to us both".

However, the US said the Total deal had undermined negotiations between Washington and Brussels aimed at averting a trade war over US sanctions legislation

Washington claimed good progress had been made in earlier talks on e formula for monitoring Iran's behaviour.



Sir Leon Brittan: US should "reflect long and hard"

President Bill Clinton to grant waivers for some smaller, foreign-funded energy projects in Iran. But US officials appear to believe the Total deal has made waivers politically impossible. "We'll continue to talk, but it will now be very hard to show - especially to people in Congress - that it is leading to a real convergence between Washington and

The EU said the US was exaggerating in claiming that an agreement had been close.
"All sorts of ideas have been are still a long way from an agreed position," said an EU

He insisted prospects for the negotiations would hinge on how the US responded to the Total contract, which the State Department has said it is investigating, with a view to possible sanctions.
Sir Leon urged the US to

"reflect long and hard" about the wisdom of imposing sanctions on Total. He said the Iranian contract involved a commercial decision for the French group alone, which it was legally fully entitled to take. He said the EU and its member governments had clearly shown Washington that their policies qualified them for a waiver under the US Iran-Libya sanctions act.

However, President Clinton told Congress last week that the EU had not taken tough enough measures to counter Iran-sponsored terrorism to qualify for a waiver under the legislation.

In Moscow Gazprom, the Russian gas giant which is one of Total's partners in the deal. said yesterday it fully supported the French group. "Our two companies' views are in

# Three Mile Island nuclear plant may be sold

By Simon Holberton in London

Three Mile Island, the site of the worst civilian nuclear accident in the US, has been put up for sale by General Public Utilities, its Pennsylvania-based owner.

The utility is understood to be in talks with Peco Energy. another Pennsylvania utility, about acquiring the station together with Oyster Creek, GPU's other nuclear power plant

Peco recently formed Amer-Gen, a joint venture with British Energy, the UK's principal nnclear generator, to bny nuclear plants in the US. If the sale proceeds AmerGen will own the GPU stations.

John Fidler, GPU spokesman, said the company had been approached three weeks ago by 6 company wanting to buy its nuclear assets. A confidentiality agreement precluded him from identifying the company, he said.
Mr Fidler said GPU had

decided to quit generation and focus instead on electricity distribution as a response to the deregulation of the US electricity industry.

The company has nearly 10,000MW of generating capacity of which 1,400MW is

The incident at Three Mile Island in March 1979 was the closest any western operator of a nuclear power station has come to a 'China syndrome' the melting of a reactor's core. The accident was eventually contained but not until 90 per cent of the core had been damaged and a significant percentage of the reactor's fuel had melted.

An official inquiry uncovered sloppy management pracdures for operating the plant. in the way nuclear power plants in the US were operated and regulated

GPU spent almost \$1hn and took six years to defuel the damaged reactor. Since the mid-1980s, however, it has heen emong the topperforming nuclear stations in the US, and last year ranked eighth most efficient nuclear plant in the world.

If the sale of Three Mile Island goes ahead it will be the first time in the US that e nuclear power station has changed hands. Attempts by Peco earlier this year to buy a nuclear power station in Maine foundered on the issue

A further complication for any buyer of Three Mile Island is the possibility of civil law suits. Last year the US Supreme Court let more than 2,000 people pursue claims that they were harmed by radiation released from the

# THE LEX COLUMN unlikely to be much above Esn

better products, and domestic com-

mercial banks, which boast deeper

pockets. This squeeze, combined

Nomura should be a winner.

because of its financial strength, continuing ability to recruit talent

and superior research. Foreigness,

many of which are eyeing asset.

management deals to link their

international investment expertise

with Japanese domestic distribu-

tion, could be winners too. Of

course, spending money is easy.

when their domestic capital mas-

kets are biogant; the true test will

be whether they have the stomach.

to maintain their investment in a

Manchester United is entitled to

brag about its new television chan-

most powerful sporting brand -

nearly half its revenues came from

merchandise sales and TV reve-

nues. Now it is promising to lever-

age the brand into the world of

entertainment. If successful, this

opens up a market way beyond that

That, anyway, is the dream. The

reality, short term at least, will be

more mundane. Currently the chib

does not have rights over live first

been sold on. So the channel will

have to survive on the thin gruel of

classic re-runs, player interviews

and reserve games. This will con-

strain its commercial potential -

back of the envelope calculations

of the hard-bitten fan.

harsher global environment.

Manchester United

with an end to retail fixed commi

sions, should lead to a shake-out."

**UPM-Kymmene** 

Hymns to shareholder value are commonplace at the bottom of the cycle. But when action starts to replace words, it is time to take notice. So it is with global paper and pulp companies. They may be past masters at value destruction. but there is a nagging suspicion they are changing their ways. Yesterday's \$650m acquisition by UPM-Kymmene of Blandin Paper company in Minnesota was the latest in a string of encouraging deals. Recent weeks have also seen Sappi merging its coated woodfree paper operations with Dutch firm KNP Leykam, and Kymmene swapping fine paper assets with Singaporebased April

The common themes are globali-sation and consolidation. Paper companies have historically operated on regional lines, with a broad product range. These latest deals how companies seeking to achieve global leadership in more limited product ranges. This augurs well for investors, a concentration of priring power in fewer hands will contribute to greater price stability, improving the quality of earnings. And with most companies limiting capital expenditure to depreciation levels, the familiar bogey of oversupply is for once not a threat.

Clearly it is too soon to offer a clean bill of health. Investors have had to bully most of these companies into improving returns. Whether their new-found discipline will endure through a further upswing in prices remains to be seen. But with consolidation finally taking hold, paper stocks could prove rewarding.

#### Japanese brokers

Imagine the chairmen of Goldman Sachs, Merrill Lynch, Morgan Stanley and Salomon Brothers resigned because their firms were discovered making payments to the Mafia. That is the scale of the scandal now overwhelming Japan's big four brokers. However, their dubious dealings are proving more a public relations than a financial disaster. True, Daiwa lost Australia's valuable Telstra mandate. But the Japanese anthorities can impose only pitifully small fines, from government issues seem transitory - at least if Nomura's exam-

The real threat to Japanese brokers remains deregulation. The entire sector risks being squeezed between foreign firms, which offer suggest annual revenues are

FTSE Eurotop 300 index 987.6 (+6,5) Divide that between three equal partners and it is barely a drop in The channel's true worth will

become evident only when the Premier League's TV contract with British Sky Broadcasting, one of the partners in the channel, is renego-tiated. It will leave United handily placed either to negotiate a greater share of the collective spoils received by the Frender League or to strike out on its own. From BSkyB's perspective, owning a 33 per cent stake in the channel is a useful insurance policy. In the unlikely event that United goes it alone, BSkyB will be in pole position to show its games

#### Sale and buyback

Welcome to the world of sale and buyback. The manoeuvre involves a company selling an asset and using part or all of the proceeds to buy back shares. In the past month, several UK companies BIR, Dalgety, MEPC, National Grid and Williams have announced or strongly hinted that

they plan to do precisely that The idea is not completely new But, in the past, almost all com-panies making disposals would having on to the cash in the hope of eventually reinvesting it in the business. The snag, of course, is that there are often no immediate reinvestment opportunities and, in the case of underperforming busi-nesses, the last thing shareholders want is for capital to be hoarded. As such, the sale and buyback trend is healthy. Moreover, July's Budget -which abolished the dividend tax nel. Yesterday's results are a credit received by pension funds, so reminder of how successfully it has enhancing the tax-efficiency of capitalised on its status as the UK's maintaining a taut balance sheet gave the approach a further fillip.

2

177

1.0

That said, sale and buyback is not the right tool for every job. Where companies have good growth oppor-tunities, shrinking the business in this way could be perverse and con-trary to shareholders' long-term interests. That, though, does not seem to be the case with the companies currently deploying the mechanism. None has particularly exciting growth apportunities. And BTR, formed the market in recent years. if anything, the worry is that they are planning to hand back only part of their disposal proceeds.

> Additional Lex com on Cordinat, Page 27

# Thailand to cancel Hopewell's \$3.7bn mass transit contract

By Ted Bardacke in Bangkok and John Ridding in Hong Kong

The Thai cabinet yesterday voted to cancel Hopewell Holdings' contract to build a \$3.7bn mass transit and tollway system in Bangkok. The government has grown

impatient with the slow pace of construction since the deal group in 1991. Only 20 per cent of the proj-

three mass transit systems under construction in Bangkok - has been completed. The collapse of the Bangkok property market has also threatened the profitability of the to take over the project will be plan to develop real estate along the 44km system.

Construction industry executives in Bangkok said they im- property development. tially expected the Thai govagreement with Hopewell, raising more than \$2bn in fin- altogether.

whereby That private compa- ancing for the project. The become partners in the project. thus giving it access to financing at preferential rates.

The government is unlikely to fund the project due to hudget constraints brought on by the country's economic crisis. The move, long threatened

by five successive Thai governments, which had grown fruswas signed with the Hong trated at the slow pace of con-Kong-based infrastructure struction since the deal was signed in 1991, triggers a 90day negotiating period during ect - the most ambitious of which the two parties will examine ways to either modify the contract, compensate Hopewell for its \$575m of work on the project, or both.

Bringing in a new company difficult because the scheme was only designed to be profitable only through adjoining

In addition, Hopewell has ernment to try to reach a new had encountered difficulty

nies and the state would baht devaluation caused dollar costs to skyrocket, while revenue remains unchanged in baht. The Thai government has yet to consider Hopewell's proposals to increase fares and lengthen the 30-year conces-

sion period. "It is better for the Thai authorities to negotiate and find a solution to Bangkok's chronic traffic problems, than to spend months, maybe years, deliberating and achieving nothing," said Colin Weir, Director of Hopewell (Thai-

"This sends a very negative message to foreign investors and bankers, particularly at a time when the Thai economy faces difficulties," Mr Weir

Shares in Hopewell rose per cent to close at HK\$4.70 (\$0.60) yesterday, on the belief that the company would eventually get out of the project

# Shell to cut jobs in European reshuffle

Continued from Page 1

to make the grade face closure and would not be sold to competitors, he said.

there would be a flurry of an overcrowded market place

**Europe today** Northern Europe will stay unsettled as a depression west of Scandinavis moves eastwards. Southern Scandinavia will be cloudy for most of the day with outbreaks of heavy rain. Northern areas will escape with

just the odd shower and Finland will have the best of the sunshine. Eastern Europe will be cool with a

of the Mediterranean will remain dry with warm sunshine. The Iberlan

Peninsula will also have long sunny spells, aithough southern areas will have further thunderstorms.

Northern Europe will remain cool

France and Italy will become cloudler with showers on Friday. These will move into Greece on Subsidely. Southern Spain and

Portugal remain at risk from sho through to the weekend.

with further rain. Eastern Europe will stay cool and showery. Southern

Five-day forecast

lot of cloud and occasional rain. Rain in northern France will die out to leave a bright but cool afternoon. The south, along with Italy and most

some countries and expands in others, "In the last six months we have had talks with all our

deals over the coming months and weak margins." He said as Shell reduces its network in there would be a substantial expansion in the UK, where Shell's market share has fallen from more than 25 per cent in But Mr Turberville predicted major competitors. We've got the mid-1960s to about 15 per

FT WEATHER GUIDE

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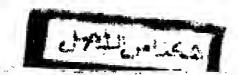
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# FINANCIAL TIMES

# COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1997

Wednesday October 1 1997



### INSIDE

### SGB refuses to rule out alliance

Société Générale de Belgique, Belgium's biggest bolding company, has refused to rule out an alliance for Générale de Banque, its banking subsidiary, but said it was unlikely to link up with Banque Bruxelles Lambert, Page 22

New management team for Daiwa



Earlier this month Daiwa Securities, Japan's second-largest broker, became the country's fourth leading financial group to become embroiled in a scandal over alleged payments to sokaiva racketeers. Daiwa has not admitted wrongdoing, but after weeks of pressure it has

reshuffled its management and appointed a new president, Yoshinari Hara (above). Page 21

Seoul stock market turns bearish The threat that South Korea could soon experience its biggest corporate collapse with the bankruptcy of the Kia motor group has turned a modestly bullish Seoul stock market into a severely bearish one. Page 42

Mongolia mobilises for meat exports Mongolia hopes to become a significant meat exporter using a mobile slaughterhouse that will take the abattoir to the animals on its remote steppes in central Asia. Page 32

China's Qingqi aims to be No 1 Qingqi Motorcycle, China's largest producer of motorcycles, is aiming to become the world's higgest manufacturer by 2000. Page 21

22 Kesmai

22 Lazard Frans

Companies	In	issu

ASLK-CGER

100

Sugar and the

Aceralia .	22 Lehman Brothers	25
All American	19 Lonno	29
Ambroveneto.	22 Menchester Utd	18
America Online	25 Marvel Entertainment	25
Anchor Foods	5 Mediaset	22
Arbed	22. Meyer Werft	10
Bankers Trust	24 Microsoft	24
Bates Worldwide	Motorola	. 25
Benetton	Netscape 20	. 24
	News Corp	25
Blandin Paper	18,19 Nincendo	10
British Energy	18 Nippon Credit Bank	. 24
Cadate	Nomura	18
Carlpio	22 OTE	20
Casino	.20 P&O	10
Commerzbank	20 Paarson	18
CompuServe	25 Peco Energy	18
Cordiant	19.29 Promodes	20
Credit Suissa	22 Rallys	20
Dalwa Securities	18,24 Reed Elsevier	29
Delphi	29 Republic Industries	25
Donna Karan	22. Royal Dutch/Shell	1
Estée Lauder	22 SG8	22
Flet	20 Szetchi & Saatchi	18
Fletcher Challenge	19 Shuzo	5
Gen Public Utilities	18 Stagecoach	10
Générale de Benque	22 Suntory	5
Goldman Sachs	Telecom Italia	22
Hilton Hotels	Ticketmester 24	25
Honda	TimberWest Forest	19
Hopewell Holdings	Total	- 18
IBM	Toyota	25
ING	Toys R Us	8
1143	22 UPM-Kymmene	18,19

22 Zenith Worldwide http://www.FT.com **Market Statistics** FTSE Actuaries shere indices 31 Benchmark Govt bonds Bond futures and options Foreign exchange Göts prices London share service Managed funds service Money markets Dividends announced, UK New Inti bond issues Bourses Recent Issues, UK Fixed interest indices

24 Union Minière

38 Short-term int raise

World stock markets

CROSSWORD, Page 32

FT/S&P-A World Indices

FTSE Gold Milnes Index

FRANCIURT	(DMI)		PARIS (Th)			
Rises			Pipes	976	+	28
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relia .				883		34
Hamburg EX	465 -		Seb	000	*	•.
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	65 +	17	Hutch Wash	48.10		0.80
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Palle	7871/2 -	37%	61 Emple	27.40		0.5
Boosey & Harts	150 -	390	TVB		-	0
Stantoni Rook		-	BANGKOK (	4004		
TOBONTO (C	es.		Rices	88.50	4	8.00
Mess.	10.10 +	1.30	ICC Inter			11.0
Battle Man	15.50 +		Motor Fd	131.0		180
Cambior Roided Star	9.05 +	1.00	The Proper	181.0	*	10-
Clacogam Cascogam	14.20 +	1.55	Falls	58.5		85
C COLUMN TO SERVICE AND ADDRESS OF THE PARTY	1400	-	A-total Di	115.71	_	

# **UPM-Kymmene to buy Blandin**

Paper producer announces \$650m deal

By Tim Burt in Stockholm and Terry Hall in Wellington

UPM-Kymmene, Europe's largest pulp and paper pro-ducer, yesterday underlined its

global expansion strategy by announcing the \$650m acquisition of Blandin Paper, the US paper-making subsidiary of Fletcher Challenge Group of New Zealand.

Kymmene's first significant bolt-on in North America, follows a lengthy search by the Finnish group for a large manufacturing site in the US. Juha Niemelä, chief execu-

magazine paper mill, the Europe. Mr Niemela said the improve its access to the enlarged group would consoli- group was also pressing ahead date its position as the world's largest manufacturer of magazine grade paper.

"To step into magazine production in the US has been one of our key strategic goals," he The acquisition, UPM- said, adding that Blandin boasted one of the country's year. most modern paper mills. The deal will give UPM-Kymmene an additional

450,000 tonnes of magazine

paper capacity in the US, a

with plans to invest Fm2.4bn (\$455m) in new paper-making equipment at its magazine plant in Rauma, Finland. Together, the two investmeots will lift the group's out- rowing facilities. put to almost 3.4m tonnes a

The expansion follows UPM-Kymmene's announcement compared with a gain of \$75m last month of its first joint on turnover of \$404m in the venture io south-east Asia, where it has linked up with tive of UPM-Kymmene, said market it bas previously Singapore-based Asia Pacific

region's fast-growing fine paper market. Mr Niemelä said the group

would fund the Blandin acquisition using cash reserves of up to Fm2bn and existing bor-In the 12 months to June 30

this year, Blandin reported a \$9m loss on sales of \$323m, previous year.

Mr Niemalā predicted that

while also cutting UMP Kymmene's exposure to currency volatility on its US sales. Fletcher Challenge Canada,

the North American arm of Fletcher Challenge, said the disposal would result in an after-tax gain of around NZ\$260m (\$104m).

The company announced on Monday the sale of its Dundee mill in Scotland for £33m (\$53m).

The disposals follow the group's recent sale of its 51.6 per cent stake in TimberWest Forest of Canada for NZ\$2bn.

Consolidation on a roll,

tha cost and time required to

Bob Seelert, Cordiant chief

executive, clarified the rela-

tionship of the two groups

with Zenith Worldwide Media.

Cordiant's media buying oper-

ation, CCG and Saatchi & Saat-

chi will each own balf of

Zenith, but will share in its

trading profit to the extent

that they contribute to

Each advertising network

will have s new relationship

with Zenith. Sbaring profit

will mean that each has a

direct stake in the media buy-

Mr Seelert added that Cor-

diant's target of a donble-digit

trading margin would take a

in Londoo and New York in

Cordiant shareholders will

Zenith's revenue.

ers' success

establish a new name.

# **CBOT** to establish online terminals in London

The Chicago Board of Trade, the largest of the world's futures markets, is to expand its three-year-old electronic order and execution system internationally, with London the first non-US location to

come online.
Pat Arbor, the CBOT's chairman, said yesterday the exchange expected to have 10-15 terminals working in the UK by the end of 1997, and was increasingly confident that the infrastructure to sup-

port these would be available. Mr Arbor added that the exchange was doing "some preliminary work" on potential expansion into continental Europe, and was also looking at siting terminals in Tokyo, Singapore and Sydney. It expected to have terminals in at least one other overseas location [aside from London] during 1998, he said.

The move comes at a time when traditional open-outcry exchanges are facing growing competition from electronicbased rivals, who claim cost advantages. Mr Arbor said yasterday that the CBOT's move was a response to increasing globalisation in the industry, and "significant demand" from member firms.

But he also scknowledged that the increased focus on overseas expansion for the CBOT's electronic system reflected aggressive expansion by the Frankfurt-based Deutsche Terminborse, which is moving into an alliance with French and Swiss counterparts. The London move was important, be said, "because

erating terminals in Chicago". "Project A" - the name given to the CBOT's electronic entry and matching system operates only in the US and as an "after-hours" system when

DTB does a good job of prolif-

markets in Chicago are closed. The expansion of Project A into London also follows a less-than-successful effort to establish an "open-ontcry' link between the CBOT and the London loternational Financial Futures Exchange earlier this year. Under this, LIFFE got floor-trading rights to the CBOT's US T-bond contract, while the CBOT was mats that can be sold around able to trade the German 10year bund futures in its pits.

### tive of UPM-Kymmene, said market it bas previously Singapore-based Asia Pacific increasing prices for magazine that by acquiring the Blandin served only by export from Resources International to grade paper would belp the Saatchi & Saatchi and Bates will each provide company nucleus **Cordiant** name from the main network. He said the Cordiant name had "gained respectsbility". The group was keenly aware of



By Alison Smith

Cordiant, the marketing group which includes Saatchi & Saatchi, yesterday said the cost of splitting into separately listed advertising groups would he more than £20m (\$32m). Revealing details of its

demerger plan, announced in April. Cordiant said it is paying slightly more than £17m to advisers and to temporary staff. Costs of re-organising its head offices will be £3.8m. The group, one of the world's largest in terms of

advertising billings, also disclosed new incentive schemes



CCG chief executive Michael Bungey (left), CCG chairman Charlie Scott, and Saatchi and Saatchi chief executive Bob Seelert

the demerger will be based on the Saatchi & Saatchi World-Worldwide network. In each, 70 senior staff will invest £3m and will receive shares depending on the growth in earnings per share during a three-year The two groups formed from period from the end of 1997.

The maximum available under the scheme is triggered wide agency and the Bates if they achieve average annual growth of 25 per cent.

Cordiant's interim results, also announced yesterday, showed a 30 per cent rise in pre-tax profits to £20.2m. The shares moved up 1/2p to 122p.

diant Communications Group. Michael Bungey, who is chief executive of Bates and will also be chief executive of CCG, said the management of the group had wanted the holding

year longer to achieve. The new group to be based on Bates will be called Corhave the chance to approve the demerger plan at an extraordinary geoeral meeting on October 23. Shares in the two new groups will be listed

# Pearson close to \$400m TV deal with All American

By John Gapper, Media Editor

Pearson, the media company that owns the Financial Times, was last night close to a \$400m deal to buy All American, the Los Angeles-based television production company that specialises in producing game

A deal hetween Pearson and

the appointment of Marjorie Scardino as chief executive.

Pearson Television, which owns Thames Television and made an offer valuing it at Grundy Television, has been negotiating to huy All American, which owns rights to 90 shows in 29 countries, for sev-All American would create one eral weeks since the latter was

**Barry Riley** 

would also he the largest Sachs, is helieved to have acquisition by Pearson since solicited bids from several large US companies. It entered its final negotiations with Pearson after the UK company

> about \$400m last week. Although All American owns soma well-known dramas including Baywatch, Pearson is thought to bave baan

of the biggest international put on the market. All Ameriattracted mainly by its rights television production firms. It can, advised by Goldman to game show formats. It owns several of these through its subsidiaries Fremantle and Goodson.

Pearson, which is being advised by Lazard Freres. planned to make an announcement today if the deal was finally agreed. However, it was not thought likaly a deal would be finalised until the early hours in London.

Pearson Television said last night it could not comment on any acquisition discussions. However, its approach to the US company would fit with the ambitions of Greg Dyke, the chief executive of the Pearson

Under Mr Dyke, Pearson Television has expanded in serial dramas and other for-

#### Closed-end funds must learn history's lessons Britain's diversification. Successive specialist investments in, say, investment waves of trust launches folemerging markets and private trust industry lowed in the late 1880s, the equity. They cannot expect to surearly 1900s and the late 1920s.



22

is struggling. Only on Monday an importsnt sbarsholder called

room shake-up at one of these closed-end funds, lvory & Sime's Enterprise Capital Trust, and last week two self-confessed vulture funds were formed explicitly to prey rently be bought for £87.

However, John Newlands' new official history of the investment trust sector\* makes clear that the closedend industry has survived much worse times and has later prospered. In the mid-1970s, for instance, the discount widened to more than 25 per cent. During many decades, interludes of Investment Trust, languishing spersed with heavy promotion

The book marks the 65th anniversary of the creation of the impending hull market. the industry's trade association of Investment Trust Companies - in September 1932. That inauguration itself was a response to a troubled period of economic slump and financial default. Many reconstruction schemes were required. But investment trusts go back much further, starting with the Foreign & Colonial

Trust in 1868, based on the

high risks in the emerging

These historical booms and husts put into perspective the recent nps-and-downs. whereby a wave of opportunistic closed-end fund launches in 1993 and 1994 has left the sector oversupplied. The vogue for the short-term

release of shareholder value has heightened the pressure, although without the tensions on the sector, where on aver- of 1990 when the industry's age £100 of assets can cur- £1.2bn flagship fund. Globe

The vogue for the short-term release of shareholder value has heightened the pressure

retrenchment have been inter- at a discount of 15 per cent to underlying assets, was swallowed by the British Coal pension fund as a cheap way into

Now the investment trust tion - now called The Associa- sector is going through another of those bad patches when it is almost impossible to launch funds and the industry is having to shrink. But there are always opportunities, and I have obtained an unpublished appendix of the book which gives the views of various experts - mainly stockbroking analysts - on the way ahead.

Investment trusts must play then pioneering principle that to their strengths, especially in their scope for gearing through markets - like the United balance sheet structures of plus postage and packing. States of America - could be varying complexity, and for AITC Book Offer. Tel. 0171-431 rendered acceptable through commitment to illiquid and 5222

vive when fighting on equal terms open-ended investment vehicles, especially with the arrival this year in the UK of open-ended investment compa-nles (oeics) which may in due course replace unit trusts. Investment trusts may need to be readier to buy back their shares in order to control discounts, in effect becoming semi-closed vehicles.

Independence of boards mus be reinforced and objectives better defined, say the experts. Marketing to private investors must be developed, with a commission structure for intermediaries. Too many poorlyadvised investors are paying, in effect, a premium for unit trusts when they can buy many investment trusts at discounts of 15 per cent or more. As Michael Hart, doyen of

the sector, has put it in a letter to the Financial Times, investment trusts must stop being "the hest-kept secret in the City". Michael Hart is himself struggling to find a formula for the survival of Brazilian Smaller Companies Investment Trust, where he is chairman.

Less optimistically, Robin Angus of NatWest Securities argues that endless revamps and policy changes are counter-productive. "For an investment trust there are fates worse than death," he says. That is how their investors see it, anyway.

\*Put Not Your Trust in Money, by John Newlands. £25,

### <u>Morse</u>

# The first bug to invade a computer was crushed to death in the jaws of a relay in 1945

Bugs (albeit of a somewhat different type) are still a part of computing today. No system is immune without special protection.

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# Iveco accelerates away from old image

Fiat unit must next address its financial performance if it is to follow New Holland to market

hen Italy's Fiat group announced its half-year the lossmaking Spanish truckmaker. The deal trast between two of its big-required Iveco to revise its gest vehicle subsidiaries rationalisation plan to could not have been more include the Spanish

ings, Iveco, the commercial vehicles business, reported poor results because of price tion was not the final impedwars and stagnant demand. First-half sales fell 2.4 per 1993, the company's plans cent to L5,482bn (\$3.18bn), while operating profits, at sion. "The downturn trig-L132bn, amounted to only 2.4 per cent of turnover.

will hardly improve Iveco's chances of being floated, as New Holland was last year. Giancarlo Boschetti, Iveco chief executive, admits the idea has been aired "for many years". New Holland. "has been a good example", he says. The flotation not only generated cash, but also helped raise its profile in a

crowded market. Before even considering flotation, however, Iveco will have to improve its financial performance. It will also have to complete what seems to have been an almost perpetual restructuring since its creation in 1975 as an amalgam of five Euro-

pean truck companies. In the late 1990s, the priority was to pull together the also simplified. The process disparate parts to develop a coherent range, says Mr Boschetti. "Only in 1991 with the first new product was

operations. Although now While New Holland, the profitable and fully intefarm and construction equip-grated, Mr Boschetti admits ment subsidiary, raised earn- he was "very much against" purchasing Pegaso.

But the Spanish acquisiiment to Iveco's genesis. In were overturned by recesgered a eecond wave of restructuring between 1992 Such downbeat figures and 1993. Our workforce was reduced from 47,000 to 30,000," he recalls.

The pain of those early years has left a lasting mark on management. By 1995, Iveco'e emphasis had ehifted to "how to focus in time for the next downturn", according to Mr Boschetti.

The company also had to prepare for profound changes because of the deregulation of Europe's

road haulage industry. First, its functional structure, based on divisions such as engineering or manufacturing, was acrapped in favour of a product-driven organisation, based on business units.

Responsibilities among the widely-spread factories were reached its peak this year, with the closure of the Langley plant in the UK, which made Cargo trucks, and the shutdown of cab-assembly at



the big Magirus-Deutz subsidiary in Germany.

EuroCargo production is scia plant in northern Italy; beavy trucks are made by Magirus in Ulm and by Pegaso in Madrid; Daily vans are built in Italy and Spain. Important components, such as engines and gearboxes. come from additional loca-

The second priority was to develop new markets. Building trucks and vans to meet expanding demand in China, India and South America has spread Iveco's product development costs and reduced its dependence on volatile Europe, says Mr Boschetti. Turkish operations are also

now concentrated at the Bre- year. Production, which the Fiat plant. began in 1993, should reach 60,000 by 2000. Buoyed by its success, Iveco wants to build heavy tracks and buses, too. "We really want to invest in China," he says.

> Ashok Levland, a leading truckmaker, with the Hinduja group. Ontput is already about 50,000 units a year and should double in the next three years.

In South America, Iveco is building two plants. Medium and heavyweight trucks will come from a \$50m-\$60m factory near Fiat's new car being expanded. plant in Argentina. In Brazil, Boschetti says the problem Output of Daily vans and Dailys (and lighter Fiat is twofold. He admits Iveco's

light trucks should reach Ducato vans) will be built at 22,000 units at its Nanking a \$220m joint venture with joint venture in China this the car company 30km from

With so much happening. how does Mr Boschetti explain the fact that Iveco still suffers from a poorer image than rivals euch as Mercedes-Benz or Volvo?

products separately. Iveco is Europe's market leader in coming. vans and light trucks, with 22 per cent of the 3.5 tonne to 6 tonne segment. In lightmedium trucks, we're only just behind Mercedes-Benz, the leader with 30 per cent."

Iveco has been handicapped by poor quality. Mr Boschetti says the problem

quality was not always the best: "We had so many headaches and problems to solve internally we forgot a bit about the customer," he says - quality and reliability are crucial in the highly conservative long-haulage market.

r Boschetti claims Iveco's quality is I Now comparable to the best. But he admits its image in the market is still lagging behind. That is because most of its heavy truck sales are concentrated in Italy, and the message has not yet spread to the rest of Europe.

"Although we have a 12.5 per cent share of the European heavy truck market, most of our sales are still based in Italy, rather than being widely spread, like Volvo or Scania.

We have got to win customer loyality," he

That should come through a string of improvements. New, heavy truck engines, starting at the end of this year, will make a substantial "Iveco's problems are contribution: "Their perfor-"n India, Iveco controls related to heavy trucks." he mance is just spectacular," says. "I prefer to look at our he says. Significant cab improvements are also forth-

Mr Boschetti recognises it will take time to overturn the scepticism about Iveco's heavy trucks. Bnt he remains confident that as the group's restructuring is finally complete, its image will gradually catch up.

Haig Simonian

### **EUROPEAN NEWS DIGEST**

# Tariff rise aids growth at OTE

OTE, the Greek public telecoms operator, yesterday reported a 16.3 per cent increase in first-half net profits it. Dr90.9hm (\$327m) on turnover up 16.6 per cent to Dr374.4hm. It said growth came from a tariff increase for domestic calls at the start of the year, improved sales of phone cards for OTE's extensive card-phone network and increased mobile telephony traffic.

OTE's own mobile network is not due to start operating until December, but earnings from interconnection charges for two private cellular operators have increased sharply because of rapid growth in the market. The company said it expected to meet this year's target of Dr840ha in revenues. Much of OTE's income comes from increased traffic during the summer tourist season. Installation of card telephones in villages and at beaches on the Aegeanislands is projected to make a substantial contribution. As decision on a much-delayed Dr83bn contract for installing digital switches in provincial towns is due to be taken . Y this month, after the appointment of an independent Kerm Hope, Athens. adviser on procurement.

### Benetton up 21% at midway

Benetton, the Italian clothing group, yesterday reported a 21 per cent rise in first-half net profits to L140bn (\$81m), on a 5 per cent increase in consolidated revenues totalling L1,539bn. Operating profits rose 13 per cent to L230bn. At the end of June, the company had liquid assets of L88bn, = compared with net debts of L235bn at the end of June Paul Betts, Milan

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#### **■** GERMANY

### Commerzbank sets issue price

Commerzbank, one of Germany'e leading banks, yesterday fixed the price for its one-for-14 rights issue, announced last month, at DM52. As a result of the rights: issue, the bank will issue 30m new shares and raise its ... equity capital by DML56bn (\$887m).

Trade in the subscription rights will take place from October 14-24. The bank said it expected strong demand and a smooth placement of the new shares. The shares ... closed up 50 pfennigs at DM63.70. · AFX News, Frankfurt

#### **AGNELLI FAMILY**

### Ifi reports 59% increase

Ifi, the Agnelli family holding company, yesterday reported a 59 per cent rise in first-half pre-tax group profits to L434bn (\$252m), which it attributed to improvement in the performance of its holdings. Consolidated net assets rose to L5,012bn, from L4,530bn at the end of December 1996. The book value of the group's share holdings showed a capital gain of more than L4,700bn at the end of September. If and the Ifil industrial holding company together own 30 per cent of the Fiat automotive group, whose first-half pre-tax profits rose 46 per cent to L2.263bn. Ifil, which is 50.7 per cent controlled by Ifi. had a 67 per cent rise in pre-tax group profits to L584bn. Ifi said that Juventus, the football club it now 99.6 per cent owns, returned to the black in its financial year ended June with a net profit of L1.8bn. compared with a L14bn loss the previous year. Paul Betts, Milan!

# Casino shares jump 8% as trading resumes

By Andrew Jack in Paris

Shares in Casino, the French retail group facing two takeover bids, rose more than 8 per cent yesterday as trading resumed after the stock market regulator approved both offers.

Casino's shares closed at FFr361. showing the highest rise on the stock market yesterday, but still well below the FFr375 tender price offered by the rival retailer Promodes, suggesting continued no chance of the takeover being view in Les Echos that he was will-own.

the bid.

Casino, and which is also subject FFr335, also below Promodès' offer price of FFr420.

Rallye is 80 per cent controlled at FF12,316. by Jean-Charles Naouri, the

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wishes to thank

the following Companies and Regulators

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1st Annual European Telecoms Tour

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Belgacom

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COLT

**Deutsche Telekom** 

**European Commission DGIV** 

(Competition)

France Telecom

Global One

NTL

**RSL Communications** 

Telefónica

Viag Interkom

WorldCom

uncertainty over the outcome of successful without his approval. Rallye also owns 33 per cent of Shares in Rallye, the "white Casino's shares, and will control 43

October 25, considerably raising to a separate takeover bid by Pro- the barrier for the success of the modès, dropped 7 per cent to Promodès offer.

French financier behind the white day Paul-Louis Halley, Promodès knight bid, indicating that there is chairman, indicated in an inter-

ART

C&W

Cegetel

CWC

Esprit

**European Commission DGXIII** 

(Telecom)

Ministry of Posts and Telecoms, Germany

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Squire, Sanders & Dempsey

Telenet

Viatel

**World Trade Organisation** 

Promodès' shares rose during the day before falling slightly to close

The developments came on the

ing to invite a member of the Guichard family, the founding shareholders in Casino, on to his superknight" alternative bidder for per cent of its voting rights by visory board if his takeover succeeded. The move is designed to ensure be keeps his promise to maintain employment at Casino's St-Etienne headquarters.

He also indicated that Promodès was still considering legal action against the Rallye bid, arguing that it breached stock-market rules because it was worth less than his

He said the Promodès offer which includes an exchange of shares - would dilute his family's participation in the group to 33 per cent or just over 40 per cent of the voting rights.

Casino's board is due to meet this morning to decide its official view on the Rallye and Promodès

The Guichard family, which controls 8 per cent of the shares and 16 per cent of the voting rights, will give their view on Saturday.

# INTERIM RESULTS 19.97

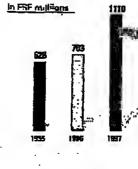
# CIC Union Européenne de CIC CIC GROUP CONSOLIDATED RESULTS

LOPAR SECRETAR ININGS GROWTS

of consolidated group net income lexcluding minority interests



Development of ordinary income before tax



STEADY GROWTH IN BUSINESS ACTIVITY

Despite persistently sluggish operating conditions for the domestic High Street banks, the Group experieoced,

egrowth in loans outstanding (+ 5.2 %) fuelled by rising consumer lending (+ 12 %) and bome loans (+ 11.9 %).

• deposits rise (+ 9.2 %), thanks to steep (+ 19.9 %) rise in special savings

 funds under management op 9.6 %.  $\bullet$  commissions and fee income advance 11.2 % thanks in particular to a 25 % rise in fees earned oo private wealth management services. Fee income oow accounts for 36 % of oet banking income.

STEADY, SIGNIFICANT EARNINGS GROWTH

net banking income FF. 8.8 billion. + 2.5 %.

good grip on operating costs Ff. 6.5 billion, + 0.7 %.

 steady growth in gross operating income FF. 2.2 billion, +7.4 %. • provisions for credit risks FF. 1.2 billioo, - 5.7 %, although doubtful loans

cover improves to 62.5 %.

• sharp rise in ordinary income before tax FF. 1.1 billion. +57.8 %. egroup net income (before minority shareholders) FF. 661 million. + 24.1 %

A DYNAMIC GROUP PROSPECTS ARE IN LINE WITH MEDIUM-TERM GOALS

CIC Group pursued ao aggressive sales drive through its branch network. during the first half of 1997: it has broadened its products and services mix. particularly in bancassurance and consumer credit; it accelerated the implementation of a comprehensive information system - the Group wide " IT platform " - throughout all of the regional banks; efforts to optimize capital allocation and risk management are continuing. .

The resulting steady advances in sales and linancial performance, as reflected in market share gains and in a continuously improving cost/income ratio and ROE, are the chief sources of strength for the CIC Group and for the future of its stall - to whom credit for these results is due - as it prepares to change its:

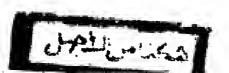
With respect to business volumes, consolidated net income for the year 1997 is expected to show a distinct advance over the 1996 figure, although it is inappropriate to extrapolate full-year results from the interim figure.

IN FRE MILLIONS	1st helf 95	2nd half 96		. 97/96	31/12/96
Net banking income Operating expenses	8,155 (6,436).	8,562 (6,474)		+2.3%	17,131 (13,109
Gross operating income	1,719	2,088	1.00	+7.4%	4,022
Net provisions	(989)	(1,286)		-3.7%	2,290
Ordinary income before to t	628	703		+57.8%	1,373
Group net income (excluding minority interests)	332	533		+24 1%	847

Union Européenne de CIC

COMPAGNIE PRIANCIÈRE DE CICET DE L'UNION EL ROPELIGIE Bringue (1996 par la joi de 24 pandre (1994 4 nos Gelfon 75107 Parts Carbot 02 - Tol. 181 42 66 76 00

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 Five Cities Salomon Brothers



# COMPANIES AND FINANCE: ASIA-PACIFIC

chance to compete on the

But many other analysts

have their doubts, particu-

larly given the mergers tak-

ing place in the US financial

sector. Daiwa'e consolidated

assets, et about Y7.000hn

(\$57.9bn), are small com-

pared with those of giants

Meanwhile, Mr Hara

admits that the company's

two main weaknesses, in

international terms, are

product development and

technical know-how. One

solution might be to seek

foreign partners, and yester-

day it announced the launch

of a new hedge fund in col-

laboration with Bankers

involve a cross-shareholding,

However, the link will not

Trust, of the US.

auch as Morgan Stanley.

world stage," he says.

# BHP sets NTT pays \$100m for 12.5% Teligent stake business structure

By Elizabeth Robinson

BHP, the Australian resources group, yesterday announced a management restructuring that divides rts businesses into eight units and creates a central

office of the chief executive. The moves are part of the strategy of John Prescott, chief executive, of increasing the accountability of divisional heads after recent senior management departures and cost overruns at BHP's hot briquetted iron plant in Pilhara.

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The street

Shares in BHP closed 6 cents higher yesterday at A\$16.29, bnt brokers suggested the rise reflected recent gains in commodity prices rather than the impact of the management changes, which would take some time to absorb.

Eight separate business units will cover petroleum, copper, steel, steel products, minerals, ferrous metals. coal and service companies Three cross-divisional business councils are also being created to co-ordinate group activities. . .

Mr Prescott said that while BHP's previous decentralised management structure had helped turn the company into a global business, it had also "allowed patterns of behaviour to evolva which have undermined that success".

He said the new structure provided focus "to help us improve performance and be more accountable in generating wealth for shareholders".

Under tha changes, Graeme McGregor, executive general manager finance, and Ron McNeilly, former steel division managing director, will work with Mr Prescott in the new office of the chief executive. They will be responsible for guiding the business

Philip Aiken has been confirmed as head of the petroleum division. He has runpetroleum since the departure in August of John O'Connor, who had proleum, which other board outside Japan, shows little increase its mutual funds

#### By Michiyo Nakamoto in Tokyo

NTT is paying \$100m for a 12.5 per cent stake in Teligent, a US local carrier, in the Japanese telecoms group's first significant foray into the US regional sector.

NTT, which was recently allowed to enter the international. telecoms market, will appoint a director to Teligent's board and provide technical support. Teligent, a fixed wireless opera-

tor headed by Alex Mandl, former plans to provide local telecoms services mainly to smaller businesses in 74 US markets.

Western carriers, such as British Telecommunications and AT&T, are keen to link up with the Japanese telecoms group, Asian partner in any global net-

president of AT&T, the US opera- the time being, it plans to build increasingly aware of the the Jap- provide end-to-end telecoms sertor, is planning to launch an international network through anese company's considerable full-scale services next April. It alliances with regional carriers. buying power. According to Goldrather than through global partnerships.

The company recently epplied for an international telecoms speeding of Y1,700bn-Y1,800bn licence in the US, but this has and estimated net cash flow in the been delayed pending US-Japanese negotiations over extending which would be an important a bilateral telecoms procurement

NTT's investment in Teligent

However, NTT has said that, for comes as US carriers have become man Sachs, NTT had revenues of Y6,371bn (\$53bn) in the year to March 1997, domestic capital

> current year of Y190bn. The company has also been investing heavily overseas, particularly in Asia and other emerging markets. While international ser-

vices form part of NTT's aim to vices, investments in overseas domestic markets are more "like" an international venture capital business." said Eric Gan, industry analyst at Goldman Sachs in Tokyo.

Junichiro Miyazu, NTT presi-

dent, was not interested in competing with global carriers such as AT&T in the cross-border business. Mr Gan said.

Y70bn, according to Mr Gan - in overseas projects, including a 51 per cent stake in Shanghai NTT in China and a 27 per cent stake in PHS International, a cellular communications business in Hong Kong.

"NTT's strategy is to invest in companies as a way to participate in different markets," the company said, adding that it did not mtend to participate in the US NTT has already invested signifmarket on its own.

# Making a virtue of modesty

New president of Daiwa Securities is under pressure to turn a recent management reshuffle to the company's advantage

Daiwa Securities yesterday and offered a newlyprinted card embossed with the title "president".

"We have had them prepared quickly," said Mr Hara, adding that "being appointed president was something that came out of

the blue for me." more than Japanese modesty. Earlier this month Daiwe, Japan's secondlargest broker, became the country's fourth leading financial company to become embroiled in a scandal over alleged payments to sokniya

The company has still not officially admitted to any wrongdoing, but after weeks of pressure it finally reshuffled its management last week, removing seven directors and appointing Mr Hara, a former managing director in charge of equities, president.

But the question now hanging over Mr Hara, who assumes his new role today, is whether he can turn the latest enforced reshuffle to

the company's advantage: With the planned "Big Bang' financial deregulation mounting pressure to carve growth. out its own clear strategy.

Whether Mr Hara is the type of man to formulate a ment this week he was virtucompany - and not obvi-

aspirations to be a US-style under management. • About 1,000 miners from investment banker, and his But the broader question four BHP collieries are to personal motto is "listen le whether it can flex its return to work today after a well to others before assert muscles on the world stage.

24-hour strike over a proing your own opinion." And Mr Hara thinks it can. "I

roshinari Hara stood company is modest in the provide us with such a in the head office of extreme: it makes no mention of any personal business triumphs, but instead reveals that his golf handi-

cap is an unremarkable 21. But Mr Hara clearly has ambitions. "We want to be internationally competitive." he says. "My aim is to make Daiwa a comprehensive securities house. If you look The comment smacks of at Merrill Lynch, they are a comprehensive securities house and although wa are several steps behind Merrill Lynch, that is the way we

want to go." Within Japan, such a step seems feasible. in the short term, Daiwa's business performance is likely to be knocked by the scandal. It bas already seen clients defect, but Daiwa's strong domestic position should enable it to survive the "Big Bang" - in contrast to some of Japan's smaller and medi-

um-sized brokers.

Last year its profits were the second-best among the top brokers. It has been winning business recently on the Tokyo Stock Exchange. with a 10.2 per cent market share in August. Although this was helped in part by the scandals at Nomura, the larger Japanese broker, it looming, Daiwa is facing comes after several years of

atwa is also strong in asset manageradical strategy remains ment, which will be uncertain. Until his appoint a crucial focus for all brokers in the coming years, as ally-unknown-outside-the-deregulation is expected to slash their traditional broously prominent within kerage revenues. Last year Daiwa was the only one of

- tha profile issued! by the think that 'Big Bang' will

# Share price and Index (rebased)

independence. "We have no outside." plans for foreign mergers et cient resources to cope with and if in the future we find and Mr Hara appears at we need more people, we



Yoshinari Hara (second right) at a press conference last week to unveil the shake-up

Another option would be wa's potential customers, he the end of next month.

pains to defend Daiwa's will hire more people from argues, "are averybody in

This stance may reflect Mr for Mr Hara to carve out a Hara's suddeo appointment. cleerer global business He plans, he says, to produce the international situation niche, but he shows little more details of his domestic to improve his golf. sign of doing this yet. Dai- and international strategy at

But with "Big Bang" looming, the onus on Daiwa may clearer strategy. Mr Hara is unlikely to have much time

Gillian Tett

### Invitation

to the shareholders and holders of participation certificates of Creditanstalt-Bankverein to exchange their holdings for shares/ participation certificates of Bank Austria AG

The managing board of Bank Austria has decided, with the approval of the supervisory board dated 17th September 1997, to invite shareholders and holders of participation certificates of Creditanstalt-Bankverein to exchange their shares/participation certificates for shares or participation certificates of the same category of Bank Austria.

In addition the exchange ratio is based on a valuation of both banks undertaken by Österreichische Wirtschaftsberatung (Deloitte & Touche), and KPMG, two accounting firms. In addition investment banks Goldman Sachs and Salomon Brothers have rendered an opinion to the managing boards of Creditanstalt and Bank Austria respectively with respect to the fairness of the exchange offer to the respective participants. Following consultation between the managing boards of Bank Austria and Creditanstalt-Bankverein, the following exchange ratio was jointly determined, which is at the upper end of the valuation range determined by the accounting firms:

Exchange ratio for common and preferred shares:

For three common or preferred shares of Creditanstalt, Bank Austria is offering four common or preferred shares of

Raiffeisen Zentralbank Österreich AG will be appointed trustee.

Exchange ratio for participation cartificates:

For three participation certificates of Creditanstalt (par value ATS 500), Bank Austria is offering - on account of the differing par values - twenty participation certificates of Bank Austria (par value ATS 100).

### State Comment was the

### From 6th October until 3rd November 1997

Divisient entitiement

Creditanstalt shareholders and holders of participation certificates wishing to take advantage of this exchange offer will receive dividends from Creditanstalt on a pro rata basis for the 1997 business year for the period January to November, and from Bank Austria on a pro rata basis for December. Because of the special dividend entitlement, which is due to provisions in Bank Austria's statutes, the newly issued Bank Austria shares and participation certificates will not be fully fungible with Bank Austria's previously outstanding shares and participation certificates until the next dividend record date (expected to occur in June 1998).

Rounding off:

To round off holdings not divisible by three, Creditanstalt shareholders and holders of participation certificates will be permitted to sell at current market prices and without transaction charges a maximum of two Creditanstalt shares or participation certificates per customer, provided such Creditanstalt shares or participation certificates are then exchanged.

Customers of Creditanstalt and Bank Austria will not be charged any transaction charges.

Instructions should be issued to the bank branch holding the safe-custody account, in which Creditanstalt shares or participation certificates are deposited.

in addition to the exchange offer, the following alternative cash offer is being made to small Creditanstalt shareholders who held no more than 300 Creditanstalt common shares as of 10th January 1997:

Maximum number of common shared:

300 shares

Record date:

Afternative cash offer per Creditenstalt common share:

Settlement date: 3rd November 1997

> Further information: at every Bank Austria and Creditanstalt branch office, and at the Bank Austria hot-line at ++43 660 312 162, and the Creditanstalt hot-line at ++43 7111 1000.

> > Vienna, 1st October 1997

### Bank Austria

ices. No exchange offer is made in any jurisdiction to the extent such offer would not be lawful. Bank Austria reserves the right to mject any appecation to participate in the exchange offer.

The been approved solely for the purpose of Section 57 Financial Services Act 1986 by Saloman Brothers International Limited, regulated by the Securities and Futures and Limited is acting for Bank Austria AG and no-one size in relation to the Offer and will not be responsible to anyone other than Bank Austria AG for providing the protections afforded to customers of Salomon Scothers international Limited or for providing advice in relation to the Offer.

# China's Qingqi aims to be top motorcycle maker

largest producer of motor- ket. Yn10bn (\$1.2bn) in capital investment and a sustained programme of mergers and acomisitions.

manufacturer, told the Shanghai Securities News, the official market newspa-per, that the company aimed to produce 3.85m units by that stockpiles of motor-2000, at which time it would cycles rose 129 per cent in

cycles, yesterday said it. China has become the aimed to become the world's largest motorcycle producer biggest manufacturer by in the world. Total produc-2000. It outlined a strategy tion was 9.3m units last year that will require more than and annual demand is expec-2000, according to government figures.

Nevertheless, China's pro-Zhang Jialing, president of ducers have been dogged by China's oldest motorcycle large stockpiles, as output has far exceeded demand.

The ministry of machine building industry released figures this year showing

account for roughly one- 1996. It urged the industry to Qingqi Motorcycle, China'a quarter of the Chinese mar- cut production to 7.5m motorcycles in 1997. Investors in Shanghai

were aceptical about Qingqi's ambitious expansion programma. One anaand annual demand is expec-ted to exceed 11m units by asked: "Qingqi can produce millions of bikes, but can it

To implement its strategy, Qingqi will require annual investment of Yn1.85bn and a lump sum of Yn3.5bn to build additional production facilities and upgrade mann-

facturing technology.

Raiffeisen Zentralbank Österreich Aktiengesellschaft U.S, \$100,000,000 Perpetual Floating Rate Subordinated Notes (the Notes")

NOTICE IS HEREBY CIVEN that the Company has cremed new autorities michardness to replace fully the indebtedness represented by the Notes. Accordingly, we is so encried pursuant to sub-pursuants (a) of the Rademption and Purchase pursuants of the Description of the Notes, the Company bas exercised to optom to redeem the votes in full on the Interest Physical Date fulling on 20th November, 1997 (the "Interest Posts fulling on 20th November, 1997 (the "Interest Page fulling on 20th November, 1997 (the "Interest Page fulling on 20th November, 1997).

Peryments of principal sed interest will be made against surrender of the Notes and Compone as the specified office or offices of the paying against in New York City in U.S. dollars, or arthe option of the bearet, at any specified office of any paying again by marsher dollars, or arthe option of the bearet, at any specified office of any paying again by marsher dollars, or arthe option of the bearet, at any specified office of any paying again by marsher. dollars, or at the option of the bearet, at any specified office of any paying agent by transfer to a dollar escount maintained by the payer with, or by dollar change drawn on, a leads in New York City. Notes should be presented for payment wegether with all summared Coupons stid mions appearating, thereto. Upon the due date of redemption of any Note, unmatured Coupons and talons relating to such Note, whether or not attached, shall become wold and no payment shall be made or suchange effected in respect thereof. Notes and Coupons will become wold unless presented for payment w

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Principal Paying Agen

### ABBEY Abbey National

First Capital B.V. Can\$100,000,000 Subordinated Collared Floating Rate Notes 2004 Notice is hereby given that the 6.375% per annum from 29 September 1997 to 30 March 1998. Interest payable on 30 March 1998 will amount to Can\$31.79 per Can\$1,000 note, Can\$317.88 per Can\$10,000 note and Can\$3,178.77 per

Agent: Morgan Guaranty Trust Company **JPMorgan** 

Can\$100,000 note.

C.A. La Electricided de Caracas, SAICA-SACA ice is hereby given that for the inte-fed into Sectionber 30, 1907 to Decem Period factor Suprestition 20, 1897 to Docume 31, 1997 the Spirit and Carry an interest R of EETPA per critical. The Interest Region for relevant Inference proposed the Documents of 1, 1997 will be U.S. 313.01 LAS \$1,000 painting stream.

# SGB refuses to rule out bank alliance

By Neil Buckley in Brussels

Société Génerale de Belgique, Belgium's biggest holding company, yesterday market speculation that the merger with SGB's Générale refused to rule out an alliance for Genérale de Banque, its banking subsidiary, but said it was unlikely to link with fellow Belgian bility. group Banque Bruxelles Lambert.

that a merger of Générale de was preparing to bid for Banque, Belgium's biggest BBL, in which it has a 20 per that a merger of Générale de bank, and ASLK-CGER, the cent stake. BBL and ING banking and insurance refused to comment.

group, was not being studled. But he added that such a link was not impossible.

His comments may damp formation of a "Grande Banque Belge" through the merger of two or more existing groups remains a possi-

Interest in the banking sector was kept alive yester-Viscount Etlenne Davig-non, SGB chairman, added that ING of the Netherlands

BBL was the biggest stumbde Banque.

Ha said ING's refusal to see its BBL stake diluted in effect blocked any link with Générale. Neither Générale nor its

want to see a competing international bank hold such a sizeable stake in a merged group, be added.

main shareholder would

clear that ING's stake in cluded: "Simply on the basis BFr11.44bn. of the knowledge we have ling block to any potential now, I don't see a merger sales also enabled SGB to doubled from BFr2.21bn to happening."

> speaking as the group announced a 28 per cent debt was expected to fall to increase in interim net prof- zero by the year end through BFr6.31bn to BFr8.09bn in Arbed, the Luxembourg (\$228m).

its, from this year's sale of

Proceeds from the assets reduce debt from BFr30.2bm The SGB chairman was to BFr1.2bn by June 30.

Viscount Davignon said its before exceptional from the reduction of SGB's stake steelmaker, from 15 per cent Including exceptional prof. to 10 per cent.

Ordinary profits were SGB's interests in France's boosted by an increase in the Accor and a 24.2 per cent scope of consolidation, fol-Progress would require a stake in Union Minière, the lowing the increase in SGB's "new element to appear from Belgian mining group, prof- stake in Tractebel, the util-

Viscount Davignon made other quarters". He con- its jumped from BFr6.72bn to ity group which is now its biggest investment. Tracte-bel's contribution almost BFr4.31bn

The contribution from Union Minière tripled from BFr301m to BFr951m. Fortis, the Belgo-Dutch financial group, increased its contribution from BFr1.21bn to BFr1.6750.

Profits from Générale de Banque were slightly up. from BFr2.3bn to BFr2.32bn. but the 1996 figure included a writeback of provisions

### EUROPEAN NEWS DIGEST

# Winterthur **jumps 41%**

Winterthur, the Swiss-based insurer which is to merge with Credit Suisse, vesterday announced a 41 per cent increase in first-half net profits to SFr350.5m (\$241.4m). The group attributed much of the growth to healthy returns from its own investments in stock markets and realised capital gains. It predicted that second-half profits would increase by more than the 21 per cent seen previously. Shares in the group slipped SFr18 to SFr1,421 on the Zurich bourse, however.

Expenses were tightly controlled in spite of restructur ing in Switzerland. The "combined" non-life ratio, which measures claims and expenses as a percentage of premiums written, improved slightly to 102 per cent. But with: costs still exceeding premium income, the non-life business continued to incur an underwriting loss amid tough conditions in world insurance markets. The loss deepened from SFr395.6m to SFr419.9m on premiums of SFr7.2bn. The life assurance arm mada a pre-tax profit of SFr156.6m on premium income of SFr5.6bn. Winterthur retterated that it did not plan to sell its US insurance operations, which some analysts argued did not fit well with the strategy driving the merger with Credit Suisse.

Christopher Adams, Insurance Correspondent

■ COSMETICS

### Estée Lauder-Donna Karan deal

Estée Lauder, one of the world'a largest cosmetics companies, has agreed terms to acquire the licensing rights to all the beauty products and fragrances bearing the name of Donna Karan, the US fashion designer. The deal. announced a day after Prince Al Waleed bin Talal, the Sandi billionaire, paid \$20m for a 7 per cent stake in Donna Karan, follows months of negotiations between the New York-based fashion group and a number of large cosmetics companies

Karan's shares, which had an offer price of \$24 in June 1996, were unchanged at \$15% in early trading yesterday. Karan announced in May that it was looking for a buyer or licensing partner for its beauty business as part of an effort to cut costs following a steep fall in first-quarter Alice Rousthorn

#### **■ BROADCASTING**

### Mediaset rises 17.7%

Mediaset, the media group controlled by Silvio Berlusconi, the former Italian prime minister, yesterday reported a 17.7 per cent rise in first-half pre-tax profits to L585.6bn (\$340m). Consolidated net revenues rose 7.4 per cent to L1,780.7bn. The company, which owns three commercial television networks, said the improvement reflected strong advertising revenues. The group's net financial position remained in surplus, although this declined from L839bn at the end of 1996 to L539.3bn at the end of June, reflecting dividend payments for 1996 of L228.8bn, substantial cash outlays for the acquisition of shareholdings and taxes. The acquisitions are part of a diversification away from its core Italian television Paul Betts, Milan

### ■ TECHNOLOGY

### Jenoptik in capital restructuring

Lothar Spath, chairman, said the DM\$145m (\$82.4m)

# Arbed back in black as demand improves

Arbed, the Luxembourg based for steel products because of electric arc furnaces in its Luxem- Arbed acquired through Sidmar in demand and prices would continue steelmaker that is forming an alli-rebuilding of stocks and the "grow-bourg sites. ance with Spain's Aceralia to ing dynamism" of the European become Europe's third-biggest producer, announced a return to the Crude steel production increased black, with first-half net profits of 6.3 per cent in the European Union, LFr249m loss last year, writes Neil

were boosted by improved demand summer from blast furnaces to

economic recovery. LFr1.79bn (\$49.3m) against a he added, and prices were also up. Restructuring of Arbed's busi-

ness in Luxembourg was also con-Josaph Kinsch, chairman and tinning to produce cost savings. chief executive, said the results The group completed the move this

Arbed has modernised its Belgian sites, including installation of LFr117.3hn to LFr127.9hn, while a hot-dip gaivanising line in Ghent, due to be launched at the start of 1998, and continued investment in its Belgian subsidiary Sidmar.

Refurbishment is also under way at Stahlwerke Bremen, the east German ateelmaker formerly known as Kloeckner Stahl, which

Group turnover increased from

gross profits improved from LFr9.68bn to LFr11.3bn. Arbed was forced to cut its dividend 40 per cent last year, after the

worldwide downturn in the steel market pushed it into loss. But Mr Kinsch said the outlook for this year was stronger, predicting that it a 9.5 per cent stake.

to increase in the second half. Performance would also be

boosted by the link with Aceralia, formerly CSL in which Arbed will take a 35 per cent stake after the Spanish government chose it as industrial partner in the group'a privatisation.

Aceralia is to subscribe to an increase in Arbed's capital, giving

# Ambrocariplo chief selected

By Paul Betts

The contest for chief executive of the new Ambrocariplo bank, which will be one of Italy's largest private banking groups, was won yesterday by Carlo Salvatori, the managing director of Cariplo, Italy's biggest savings bank.

Mr Salvatori will be in charge of a banking group with total consolidated assets of L252,000bn (\$146bn). following the marriage of Ambroveneto and Cariplo. This will make it the secondlargest private bank in Italy after the recently-privatised Istituto San Paolo di Torino. Corrado Passera chief

iano Veneto (Ambroveneto) and the other contender, resigned after falling in his bid for the job.

executive of Banco Ambros-

Mr Salvatori had always before moving to Cariplo. been the front-runner in the



Corrado Passera: failed in his bid for top job

Mr Passara, a husiness yet to be decided.

race because of his long executive who has held experience as a banker. He is senior positions at Olivetti, also familiar with both Mondadori and Carlo de groups, having been an Benedetti's Cir holding Ambroveneto chief executive group, said the timing and method of his departure had

He said he was pleased to have been involved in the Ambrocariplo deal, which marked a new phase in the consolidation of the Italian banking industry.

Mr Salvatori's appointment was announced after a meeting of the new banking gronp's shareholder syndicate. It followed a shareholder meeting of the new holding company, which will control the banking activities of Ambroveneto and Cariplo. This meeting approved the financial transaction leading to the integration of the two banks.

This involves the L8,500bn acquisition by Ambroveneto of Cariplo, financed largely by an Ambroveneto capital increase of up to L6,800bn.

No decision was taken on the appointment of the new chairman of Ambrocariplo. Giovanni Bazoli, Ambroveneto'a current chairman, is expected to be given the job. short of the target set by the cent.

# Rome unveils stable 'core' for Telecom Italia

By James Blitz in Rome

The Italian Treasury last membership. night unveiled the make-up of the stable shareholder group of the soon-to-be-privatised Telecom Italia, saying 14 companies had committed themselves to 9 per cent of the sbare

Amid Treasury claims that the strategic offer was the largest of its kind in Italy. the 14 participants - including AT&T, Unisource and Credit Suisse Group - undertook to invest L5,600bn (\$3.8bn) between them in the

first stage of the flotation. The take-up of shares hy between 10-15 per cent. Officials, however, attributed this to the sharp rise in Telecom Italia shares over the past year. This had made

entry into the nucleo stabile more expensive. They argued that the overall investment in the core stake, at L5,600bn, was well

above the minimum target of L4.500bn. AT&T, the largest US telecoms company, and Unisource a nan-Ruronean telecoms alliance, will each be able to nominate one appointee to the new 19 or 14 mem. bar Telecom Italia board. Each of the two groups has

taken a 1.2 per cent stake

and will pay a 2 per cent premium to qualify for board

Most of the Italian corporates and finance houses taking part in the offer have merged into four groups, each of which can nominate one board member. The four groups are:

Assicurazioni Generali. Alleanza Assicurazioni and Comit (Banca Commerciale Italiana), with a total stake of 1.2 per cent.

 Ifil and Fondazione San Paolo di Torino, with 1.2 per

 Credito Italiano and Rolo Banca, with 1 per cent. lstituto Mobiliare strategic investors has fallen ltaliano and INA, with 1 per

land's second-largest banking group, has taken a 0.67 per cent stake, and forms part of a second tier of strategic shareholders which do not have board representa-

This second tier - which includes Banca Monte dei Paschi di Siena and Fondazione Caripio - can relinquish its holding after one year, and does not have to pay a premium on its pur-

An announcement will be made on Saturday on how much of the Treasury's remaining stake in Telecom Italia will be sold later this month.

Jenoptik, the east German diversified technology group, tion of shareholder structure ahead of an initial public offering planned for next year on the Frankfurt stock exchange. The state of Thuringia, which held all the equity, has reduced its stake to 49.99 per cent. A consortium of three state banks now owns 35.31 per cent; Sal. Oppenhelm, a private bank, owns 5 per cent; and Klan Krone, which owns a telecommunications company acquired by Jenoptik, has 9.17 per cent. A 0.5 per cent stake has been reserved for directors and senior manage-

raised through the capital increase would be used for acquisitions. The group, which under communism was part of the Carl Zeiss combine whose activities took in micro-electronics and optics, expected 1997 profits to be about DM50m on sales of between DM2.3bn and DM2.6bn. Mr Spath said the IPO, which could take place as early as May 1998, would involve about 50 per cent of the company's stock and raise about DM400m.

Frederick Stüdemann, Frankfurt

#### October 1997 This announcement appears as a matter of record only.



### Würth Finance International B.V.

Amsterdam, The Netherlands

U.S.\$ 100,000,000 67/s% U.S. Dollar Bonds of 1997/2004

Settlement Date: October 1, 1997

unconditionally and irrevocably guaranteed by

# Adolf Würth GmbH & Co. KG

Künzelsau, Federal Republic of Germany

**Deutsche Morgan Grenfell** 

Credit Suisse First Boston

Deutsche Genossenschaftsbank

IKB Deutsche Industriebank AG

Merriii Lynch International

Westdeutsche Landesbank Girozentrale

Application has been made to list the Securities on the Luxembourg Stock Exchange.

3 me et al angele al angel



# **BONGRAIN SA**

1997 First half-year results

NET SALES: +5.5%

Net sales for cheese products (excluding excess milk) rose by 7.2%, including 3.7% for volume/price and 3.5% for changes in the Group's structure and exchange rates.

Compared to the first half-year of 1996 BONGRAIN's consolidated activities now exclude AVI-CHARENTE and La Laiterie de la Bresse which bave been sold and include PRIBINA (Czecb Republic) in the full consolidation together with-BONGRAIN EUROPA POLSKA (Poland) and VESZPREMTEJ (Hungary), the latter two having previously been consolidated by the equity method.

### EARNINGS BEFORE EXTRAORDINARY ITEMS: +14.1%

BONGRAIN's consolidated earnings for the first balf-year of 1997 show net. operating income up by 3.3%, mainly due to our North-American subsidiaries.) European performance remained relatively flar. Advertising and promotion expenditure for both existing and new products continued to increase.

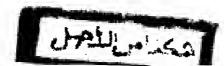
Earnings before extraordinary items improved by 14.1% largely due to die favourable impact on net financial income and expense of the strengthening of the

### EARNINGS AFTER TAX: +5.9%

Earnings before tax improved by 11.0%. Earnings after tax, penalised by the increased corporation tax rate in France, which had an impact of over FRF 10m for; the first half-year, nevertheless rose by 5.9%.

Net earnings excluding minority interests, taking into account downtum in the economic climate in South-America, represent FRF 130.7m compared to FRF: 129.5m at end June 1996, an improvement of 0.9%.

In millions of French Francs (Unaudited figures)	June 30, 1997	Jame 30, 1996	change
Net sales	5.334.0	5.055.4	+35.
Value added	1,463.2	1:380.7	+ 60
Gross operating income	446.9	421 9	+ 5.9
Net operating income	258.6	250.3	+ 33
Earnings before extraordinary items	282.6	247.7	+14.T
Earnings before tax	263.2	237.1	+11.0
Earnings after tax	150.0	141.7	+ 5.9
Net earnings excluding minority interests	130.7	129.5	+ 00



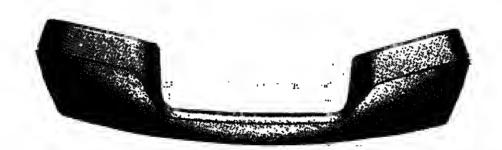
**Philips Consumer Communications** 



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Inteducing the new world leader in consumer communications products (Philips Consumer Communications,

Philips, one of the world's largest electronics companies, and Lucent Technologies, home of Bell Labs and a leader in communications technologies, are proud to join their consumer product divisions to create a powerhouse of innovation. This new wenears, Philips Constitues Communications, will design, manufacture and market the limitest tange of consumer communications products available, including desiral and analog cellular phones, corded and cordless phones, screen phones, answaing systems, pagers and other mobile electronic devices. Philips Electronics and Lucine Technologies: Better Together. Now you know why were smiling.

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#### Halifax Building Society (Incorporated in England under the Building Societies Ad

tssua of up to an aggregate of £200,000,000 **Subordinated Variable Rate Notes** 

with a maturity of 12 years (formerly Subordinated Variable Rate Notes issued by Leeds Permanent Building Society) Notice is hereby given that for the three months interest

period from September 29, 1997 to December 29, 1997 (91 days) the Subordinated Notes will carry an interest rate of 7.6625%. The interest payable on December 29, 1997 for the

London, Principal Paying Agent

300,000,000 £30,000,000

Saatchi & Saatchi pic

83/89 Whitfield Street

Cordiant Directors have agreed not to exercise).



This notice is issued in compliance with the requirements of the London Stock Exchange Limited (the

"London Stock Exchange") and appears as a matter of record only. It does not constitute an offer or

invitation to any person to subscribe for or purchase any shares. Application has been made to the London

Stock Exchange for all the ordinary shares of Saatchi & Saatchi ple to be admitted to the Official List. It is

SAATCHI & SAATCHI PLC

Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 2464197

Introduction to the Official List

Sponsored

SBC Warburg Dillon Read

**UBS** Limited

the whole of the issued ordinary share capital of

SAATCHI & SAATCHI PLC

Expected share capital on admission

Saatchi & Saatchi

The issued and fully paid share capital of Szatchi & Sastchi ple is based on 443,845,990 ordinary shares

of 25p each in the capital of Cordiant plc ("Cordiant Shares") in issue as at 26 September 1997 together with the maximum number of 3,076,237 additional Cordinat Shares which may be issued prior to the Record Date in connection with the Cordiant share schemes (other than under options which certain

Copies of the Listing Particulars poblished by the Company in connection with the Introduction to the

Official List of the London Stock Exchange may be obtained during normal business hours on any

weekday (Saturdays and public holidays excepted) (for collection only) from the date of this notice up to

and including 14 October 1997 from the Company Announcements Office of the London Stock Exchange,

London Stock Exchange Tower, London EC2, and from the date of this notice up to and including 14

2 Finsbury Avenue

SBC Warburg Oilion Read, which is regulated in the UK by The Securities and Petarta Authority Limited, is an advisor to Seatchi & Seatchi and Cordiant in connection with the introduction and the Demerger. SBC Warburg Oilion Read is advising Seatchi & Seatchi and Cordiant and nobody else in connection with the introduction and the Demerger and will not be responsible to anyone else for providing the protections afforded to the connections of Sich Warburg Dillon Read too for providing advice by relation to the introduction, the Demerger or elasted trading facilities. UBS Learning in the UK by The Securities and Fatures Authority Limited, has been consulted by Seatchi and Cordiant in relation to the Introduction and the Demerger. UBS Limited is not providing advice to anyone else on the Introduction or the Demerger nor will it be responsible to anyone else for providing the protections afforded to customers of UBS Limited or for providing advice in relation to the Introduction, the Demerger or related trading facilities.

EC2M 2PP

SBC Warburg Dillon Read

expected that dealings in the shares will commence at 8.30 am on 15 December 1997.

### COMPANIES AND FINANCE: THE AMERICAS

# Bankers Trust to buy NCB options

By Gillian Tett in Tokyo

The Republic of Venezuela

U.S. \$912,939,000

Front Loaded Interest eduction Bonds due 2007

**USD** Interest Reduction

in accordance with the provi-sions of the Bonds, notice is hereby given that for the Interest Period from September 30, 1997 to March 31, 1998 the Bonds will carry a fixed interest Patte of 6.75% per annum. The total interest payable on the relevant interest payment date March 31, 1998 will be U.S. \$30.87 per U.S. \$1,000 nominal amount of which U.S. \$904.76 remains outstanting.

Country, April Bat O CHASE

Q. Hydro Québec

U.S. \$200,000,000

PROVINCE DE QUÉREC NOTICE IS HEREBY GIVEN that for

NOTICE IS HEREBY GIVEN that for the factors Period 1st October, 1997 to 1st April, 1998, the interest gate will be 5.99377% per amount. The factors payable oo 1st April, 1998 against Coupou No. 9 will be U.S. 5141.40 per U.S. 55,000 Note and U.S. 52,828.00 per U.S. \$100,000 Note.

Bank of Montreal

a Calculates Agent 1st October, 199

ARTAL GROUP S.A.

boulevard Royal, L-2449 Langembour
R.C.S. Luxembourg 8 44,470

edames et Messieurs les Act ires sont priés d'assister à

L'Assemblée Générale

qui se tiendra le 10 octobre 1997 à 11:30 brures à la Banque de Luxembourg, 14 boulevard Royal, L-2449 Luxembourg, afin de délibèrer sur les points suivants :

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By: The Class Maniette, Bent

Bankers Trust said yesterday it ers' hedge fund, officials said. would purchase options to buy up to

bank, in three years. collaboration agreed by the two companies this summer.

make the US group one of NCB's anese market, shead of the country's biggest shareholders. It is one of the planned "Big Bang" financial first such moves taken by a foreign

separate collaboration with Daiwa mer, involves collaborating on a Securities, the country's second large series of business projects, such as est broker, in fund management.

ing and will inject Y2bn into Bank-In addition, Daiwa will establish

Y150n (\$1.2bn) worth of shares in its own hedge fund worth Y8bn in Nippon Credit Bank, the Japanese the US, to be managed by newlycreated Daiwa Derivatives Strate-This follows the ground-breaking gies. Bankers Trust will add Y2bn to this fund.

The moves signal growing interest The options, if exercised, could from non-Japanese banks in the Japderegulation plans.

The initial deal between Bankers Bankers Trust also announced a Trust and NCB, unveiled this sumst broker, in fund management.

Securitisation. They also pledged to our commitment to strengthening part because of financial pressures.

Daiwa will send three of its fund engage in a small "symbolic" cross-our business collaboration," the US at LTCB.

The agreement was conditional on terday rose Y7 to close at Y182.

NCB implementing a restructuring since been completed. Last year NCB recorded losses of Y285bn.

it had bought some Y1.25bn worth of cial skills. NCB shares, equivalent to around 0.3 per cent of the company's capital. NCB now plans to parchase a similar value of Bankers Trust shares.

have the right to exercise options on

managers to Bankers Trust for train-shareholding arrangement, initially group said. It refused to reveal the planned to be less than 1 per cent. price of the options, NCB shares yes

The move by Bankers Trust and and recapitalisation programme, NCB has since triggered a wave of raising some Y291bn, which has other collaborative agreements, as foreign groups seek better distribution in the Japanese market and Jap-Bankers Trust yesterday said that anese banks try to boost their finan-

One other cross-shareholding arrangement, between Long-Term Credit Bank and Swiss Bank Corporation, has recently been announced. in addition, Bankers Trust will But although that deal initially envisaged a 3 per cent cross-share-Y15hn worth of NCB stock in three holding, this has been scaled back to years. This transaction is a sign of 1 per cent for the next five years, in-

# Court ruling clears way for Hilton

takeover battles of recent years yesterday started moving towards a conclusion after a Nevada court ruled that FTT, the US hotel and casino company being pursued by Hilton Hotels, could not press ahead with a defensive break-up plan without a shareholder vote.

The ruling, delivered late on Monday, opened the way for the Hilton to pursue its unsolicited \$8.3bn offer for ITT, with the odds now stacked more in Hilton's favour than at any time since the struggle began in January.

Shares in ITT shot up 8 per cent, or \$5%, to \$67% in early trading as investors speculated that, whichever side emerged victorious, they would do so by buying the loyalty of ITT's shareholders with more cash than is currently on the table. Hilton's shares also rose: in early trading, they were up

Meanwhile, ITT set a date shareholder vote and ping one of the most controversial aspects of its intended to go directly to break-up plan: a proposal to shareholders "to demoncreate a staggered board at strate that we have a very ITT Destinations, the com- compelling, very attractive pany that would hold ITT's offer on the table."

hotel and casino operations. sion of our plan will permit delayed annual meeting on our shareholders to make a November 12, when shareclear-cut choice based purely holders will be invited to



Judgment day: Steven Bollenbach (left), Hilton Hotels chairman, Hilton's lawyer Bernard Nussbaum, and ITT Corp chairman Rand Araskog (right)

chief executive.

Hilton said it had no intention of increasing its tender into three separate compaoffer, comprising \$70 a share in cash for 50.1 per cent of ITT's stock, with the balance to be paid in Hilton shares. The company said its preof November 12 for the ferred option would be to sit down with FTT and discuss a announced that it was drop- friendly merger. But if that were not possible, it

The shareholder vote will "Eliminating this provi- take place at ITT's long-

Araskog, ITT chairman and of directors proposed by Hil-

Apart from splitting itself nies, ITT has proposed buying back up to 30m of its shares, about 26 per cent of those outstanding, at the same price offered by Hilton \$70 a share.

7 all Street analysts say that, if nothing happens between now and November 12, Hilton will probably win the proxy fight. So the big question is what new trick ITT holder vote in an effort to preserve its independence.

"Hilton's offer is superior

percentage to the offer," said Lehman Brothers. "Hilton's management team is also better regarded, and people would expect that their ability to run the combined company is likely to result in greater cost savings and greater shareholder value."

However, ITT could adopt one of several defensive strategies. It could seek a trol. friendly merger with some other "white knight"; it could increase the size of the share buy-back; or it could even adopt a so-called "Pacwill pull out of the bag Man' defence, seeking to between now and the share-turn the tables by bidding for Hilton.

"I wouldn't want to underestimate their creativity, and they clearly have a pretty strong desire to remain independent," says Ms Minor.

James Murren, an analyst at Dentsche Morgan Grenfell, believes ITT will trinmph unless Hilton greatly increases its offer. "The reason ITT will prevail is that they have a lot more wriggle

room," he says. "I think they will quickly dispose of even more assets, perhaps World Directories, and also a number of their hotels, and increase the size of their tender offer."

ITT indicated that it was not planning any radical departure from its existing defence strategy, but insid-ers suggested that there was potential for "tweaking" the terms of the existing pro-Joyce Minor, an analyst at posal, either in terms of the price attached to the share buy-back, the percentage of shares to be purchased, or

Meanwhile, FTT continues to insist that Hilton's offer is inadequate the price of \$70 a share only matches that offered by ITT, without adding any premium for con-

Mr Araskog said: "Hilton's offer is clearly inadequate as shown by the advice provided to Hitlon's board of directors by its own chief financial officer. We intend to prove our case to ITT shareholders over the next six weeks."

Richard Tomkins

# Microsoft launches new web browser

By Paul Taylor

Microsoft, the world's largest software group, yesterday vidual requirements, which launched a new version of its Internet Explorer web browser, which it hopes It will catapult it into a dominant position in the internet

software market. The new version of the software, which Microsoft gives away at no charge, Scientist and the Financial

tion of "active channels" information tailored to indiis delivered automatically to the user's screen.

In the UK, 33 leading media, entertainment and lifestyle companies will provide the information for first active desktop channels. These include the BBC, New includes a number of innova- Times, which yesterday

based service, Financial Times Briefing, will be available to Internet Explorer 4 users. Some, including FT Briefing, will also be available to international users.

Andrew Lees, director of Microsoft's desktop and internet platforms in the UK heralds a new era for the only does it offer users a extend" strategy and vowed

web, it also provides web developers with the tools to create fantastic content and applications."

Microsoft was late recognising the potential of the internet market, but has aggressively pursued it since said: "Internet Explorer 4 December 1995, when Bill Gates, Microsoft chairman, internet and intranets. Not espoused his "embrace and

tions, including the introduc- announced that a new web- new way to experience excit that the internet would be ing, dynamic content on the central to everything the group did.

The launch of Internet Explorer 4 represents a direct challenge to Netscape Communications, the three year-old company that pioneered software enabling personal computers to navigate the world wide web. Microsoft bas trailed Netscape in browsers, but has been catching up fast.

### **CONTRACTS & TENDERS**



### POST & TELESTYRELSEN

THE NATIONAL POST AND TELECOM AGENCY (PTS) IN SWEDEN

Declaration of Interest to provide mobile radiobased telecommunications services in the 410-430 MHz band according to the TETRA/TETRAPOL standards.

The National Post and Telecom Agency (PTS) is considering to allocate certain frequencies within the 410-430 MHz band for those interested in providing mobile radiobased telecommunications services, or to operate private networks, according to TETRA, TETRAPOL or

Anyone incrested in providing a national, regional or local service as defined above should submit a Declaration of Interest in writing not later than 15 October, 1997. The Declaration of Interest is free of charge.

Should there be more parties interested than spectrum available, PTS will carry out a general invitation to tender, based upon the Telecommunications Act (1993:597), for those intending to provide mobile telecommunications services in a public relecommunications network according to the above mentioned standards (preferably in 410-430 MHz band). This invitation will not refer to radio applications for emergency services. A time table for a possible invitation will be announced not later than 15 December, 1997. Regulations and a guide for applicants can thereafter be obtained through PTS. The application for a licence is subject to an application fee amounting to 100000 SEK.

To following criteria will i.a. be evaluated in a possible selection process - coverage of geographic area

- adequate spectrum efficiency for the services offered

rate of investment for the expansion of the nerwork ability to provide a cost efficient ope-

Further information concerning the Declaration of Interest can be obtained from Lars Erik Axelsson, tel +46-8-67855 60 or Ann-Manie Engvall, tel +46-8-6785658. Fax +46-8-6785505.

Post och telestyrelsen (National Post and Telecom Agency) Box 5398 S-102 49 Stockholm Sweden

### **RPS** Residential Property Securities No.3 PLC

£150,000,000 £5,000,000 Class A2 Notes Class B Notes Mortgage Backed Floating Rate Notes

due 2025

is hereby given that for the three month period 29th September 1997 to 29th December 1997, the Class A2 Notes and Class B Notes will carry an interest rate of 7.51297% and 8.54297% per annum respectively. The interest payable per £100,000 Note will be £1,376.86 for the Class A2 Notes and £2,129.89

NATWEST MARKETS

for the Class 8 Notes

USD 20 000 000 000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SCA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED

SERIES 47/93-12, TRI SOCIETE GENERALE USD 200 000 000 FLOATING RATE NOTES DUE DECEMBER 2008 ISIN CODE : XS0047942577

For the period September 30, 1997 to Denember 31, 1997 the new rate has been fixed at 6,21875 % P.A.

Next payment date: December 31, 1997

Coupon at: 16

Amount:

USD 158.92 for the denomination of USD 10000

USD 1589.24 for the denomination of USD 10000

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST S.A. - LUXEMBOURG

# Banco Central del Uruguay

SALE OF 99, 83% OF THE COMMON STOCK OF BÁNCO LA CAJA OBRERA Montevideo - Uruguay

### INTERNATIONAL INVITATION

The Corporación Nacional para el Desarrollo (National Corporation for Development ) and Banco de la República Oriental del Uruguay (Bank of the Republic of Uruguay) ("the Shareholders") own 99, 83% of the common stock of Banco La Caja Obrera S.A. (the "Bank") and have initiated the process of selling their whole participation to qualified financial institutions with experience in commercial banking,

that will manage the Bank. For this purpose, the Central Bank of Uruguay, on behalf of the Shareholders, has engaged Banque Paribas to act as the exclusive financial advisor in this transaction. All decisions related to this process will be taken by the State - Managed Banks Sale Commission, made up of representatives of the Central Bank of Uruguay, of the Ministry of Finance and of the Shareholders.

Within this process, the Central Bank of Uruguay Invites interested financial institutions to contact representatives of Banque Paribas, who will inform them on the procedures required to participate in the offer and obtain all the information about the Bank and the sale process. 5

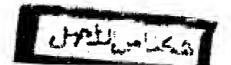
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C.A. La Electricidad de Caracae. SAICA-SACA U.S. \$209,554,000 In accordance with 11 to provide the internal Particle in motion in inputing place thresh of the internal Particle income Beginsesher 20, 1957 to December 31, 1967 the Bords will carry as Internal Partic of 8.79%, per winters. Mittered calculated on each U.S. \$1,000 monitoral arrivant in U.S. \$17.25 internal purpose of the appropriate arrivants in statistical respect of the appropriate arrivants in statistical. Series A-1 off expert to U.S. \$14.5392500 per U.S. \$1,000 received amount of which U.S. 5542.74 receive conditioning:

The Republic of Venezuela U.S. \$1,670,370,000



AMERICAS NEWS DIGEST

# Rescue deal for Marvel

Marvel Entertainment, the US comic books company, said yesterday that a deal had been reached between an investment group led by Carl Icahn and its bank creditors that would allow the company to emerge from Chapter 11 bankruptcy protection

Mr Icahn wrested control of the company from Ronald erelman earlier this year, but has been unable until now to appease the company's bankers, led by Chase Manhattan. Under the agreement, the Icahn camp will pay \$385m in cash to purchase the company's debt, and transfer Marvel's Panini sticker business to the banks.

The Icalin group had hoped to use the deal with the bankers to resolve the position of Toy Biz, the company which owns the rights to sell toys based on Marvel's characters. Mr Icahn said, though, that the company was simply running out of time and money" and had had to conclude a deal quickly without involving Toy Biz. Richard Waters, New York

■ SEMICONDUCTORS

### Motorola switches to copper

Motorola said it had developed a technique that replaces aluminium wiring with copper interconnects in integrated circuits, resulting in smaller and faster chips.

The announcement comes a week after International Business Machines said it had developed a way to wire computer chips with copper instead of aluminium. That was seen as putting IBM at the forefront of efforts to design the next generation of semiconductors and helped

boost IBM's stock price the day the news was released. "Copper-based chips will be a key building block for our customers' success in the future, providing new product and market opportunities," Motorola said. Reuters, Austin, Texas

■ VENEZUELA

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A 1979

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### Power sell-off pursued

The Venezuelan government is pushing ahead with the first privatisation in the country's troubled power sector, hoping to placate investor concerns over an inadequate legal framework and arbitrary rate policy.

Pre-registration got under way this week for the sale of

power generation, transmission and distribution facilities on Margarita island, just off Venezuela's northern coast. With the long-delayed tender, the government hopes to set a benchmark for the subsequent sale of the colossal state power company Cadafe.

Industry representatives have repeatedly complained of an inadequate legal framework and a regulatory body acting on political rather than technical criteria. With a new electricity law held up in red tape, the government issued a special decree laying out temporary rules of the game

The government is still scrambling to work out some of the fundamentals of the Margarita deal. It has still not approved a tariff regime for the future operator, nor have minimum investment requirements or the length of exclusive distribution rights been established yet. The company that is to be sold to a group of pre-selected investors Raymond Collit, Caracas bas yet to be formed.

### Xerox in CompUSA sales pact

ox said it had signed a pact with CompUSA to sell its personal copier and home office copier systems through its network of 134 computer superstores.

Xerox said it would market its "Document Home-Centre" and "Document WorkCentre" colour multifunctional devices through CompUSA. "This is part of a major global retail strategy which will see Xerox significantly expand its presence in the fast-growing small office/home segment of the document solutions market," said Rosemary Thomas, vice president and general manager, North American retail operations for Xerox.

Xerox said it was currently doubling the number of retail outlets that offer its products to 3,000 in the US and Reuters, New York

### ONLINE TICKETING

### Ticketmaster. Intel collaborate

Ticketmaster Group, the computerised ticketing service, said it was working with chipmaker Intel to develop an online ticket service that would appeal to individual .

Subscribers to the service would be able to receive event listings, 3-D virtual reality seating charts and event information ranging from Broadway shows to sporting events and heavy metal concerts, Ticketmaster said. It added that the fully transactional ticket system, which is scheduled for the second quarter of 1998 as a companion to Ticketmaster Online, would give access to 30,000 events, entertainment news and other information "at speeds far surpassing the Internet."

Technology would allow users to choose what informa-tion they receive. Ticketmaster said. Subscribers will also be offered sports, theatre, concert and "family-event" mer-

chandise. "The success of Ticketmaster Online, which now sells over \$3m worth of tickets a month, inspired the creation of this new service, which will help us meet the growing demand for computer-based ticketing," said Frederic

Rosen, president and chief executive. Reuters, Los Arigeles

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# COMPANIES AND FINANCE: THE AMERICAS Lehman ahead sharply in third quarter

By John Authers in New York

Lehman Brothers, the New York investment bank widely regarded as a likely acquisition target, yesterday announced sharply increased earnings for the quarter to the end of August, as it continued to benefit from exceptionally high volumes of business in the New York market.

Both profits and earnings per share more than doubled from the equivalent quarter of 1996, with net income rising from \$77m to \$197m and earnings per share speculation that it is due to be Express. Nine-month profits of

reaching \$1.30, up from 60 cents, The results were better than expected, and the shares fared well in morning trading, gaining \$% at

tions and trading never material-

Lehman is now one of the largest following the recent wave of

acquired by a large commercial \$462m are already ahead of the cent, more than double the 9 per

However, the company attempted to quell talk of a take-over, saying: "It's clear from the Richard Fuld, chief executive, numbers we are putting out that said: "The usual summer lull in the strategy of the company is a underwriting, mergers and acquisivalid one and a auccessful one. We will continue to focus on doing

business as Lehman Brothers." The results for the first nine independent investment banks months of the year are the best since Lehman became a public acquisitions in the sector, and company in 1994, following its chant banking, and mortgage and income for the full year exceeds there has been persistent period as a subsidiary of American

year on year, with investment per cent. banking revenues climbing 67 per cent, from \$237m to \$396m.

Mr Fuld said the company had real estate activities.

\$416m recorded for the whole of cent achieved in the third quarter of last year, and a sharp improve-Revenues increased 48 per cent ment on the second quarter'a 12.8

These results exclude the effect of a special dividend which Lebman must pay to American generated the most revenues in Express and Nippon Life Insurance higher-margin husinesses, in line at the end of this fiscal year. The with its strategic goals. These two companies are entitled to included global mergers and acqui- annual dividend equivalent to half sitions, equity underwriting, mer- the amount by which Lehman's net \$400m. This arrangement will con-Return on equity was 20.5 per tinue annually until 2002.

# AOL faces antitrust charge

By Louise Kehoe In San Francisco

America Online, the world's leading online service and internet access provider, has been sccused of "flagrant violation" of US antitrust laws in a lawsuit filed by Kesmai, a unit of News Corp, the media group.

Kesmai, a developer of online multi-player games, is seeking to halt AOL's pending acquisition of CompnServe's 2.7m snbscriber base, which it claims is an "illegal merger" that would extend AOL's "monopoly". AOL is already the largest online service, with about 9m subscribers.

The CompuServe acquisition is part of a complex series of transactions, announced last month, also involving WorldCom, a leading telecommunications company. As part of the deal, AOL sold its network operations to WorldCom, which also acquired Compu-Serve's networks.

In its lawsuit, Kesmai charges that AOL has used its dominant role in online services and internet access to prevent small-content providers, and in particular developers of online games. from competing fairly.

Kesmai is one of the pioneers of "massively multiplayer computer games". which enable thousands of players to participate simultaneously online, entering and leaving the "virtua worlds" of games at will. The dispute stems from

AOL's recent acquisition of Kesmai's competitor, Imagi-Nation Network. In June, AOL relaunched this games network under the name WorldPlay, giving the new subsidiary control over the AOL "games channel", where subscribers can play computer games with one mother. Games from other developers, tocluding Kesmai, were "subsumed" into the WorldPlay service, Kesmai complained.

Christopher Holden, chief executive of Kesmai, said AOL's "predatory behaviour" had severely damaged his company's business. Use of Kesmai games by AOL members had fallen more than 90 per cent, he said. Kesmai had previously been the leading supplier of online multi-player games for use by AOL members.

AOL said the lawsuit was "without merit" and stemmed from a contractual dispnte. However, Mr Holden said it was "an effort to fight, on behalf of all small AOL content providers, for a return to fair competition and fair acce to what is by far the world's largest and only commer-cially viable cyberspace

# Toyota deal boosts Republic's plans

By Richard Waters in New York

Wayne Huizenga, the US entrepreneur wbo bas assembled the country's largest collection of car dealerships, has achieved two breakthroughs this week that could also make him the country's leading seller of Japanese vehicles.

Yesterday, Mr Huizenga's Republic Industries concluded an agreement with Toyota that ends a 10-month legal tussle between the two sides. The agreement is believed to allow Republic to huy dealerships accounting for up to 5 per cent of Toyota's US sales - the same broad understanding the company is believed to have reached with the three big US manufacturers.

It follows Republic's court



Acura dealerships form part of the Republic empire

light truck maker to resist Mr Huizenga's expansion plans. A Federal court in California late on Monday upheld a Republic motion to throw out a lawsuit that would have severely limited victory over Honda, which the number of Honda dealerremains the only big car and ships Mr Huizenga could ments lifted the stock it was satisfied its agree- another six in the pipeline.

buy, and the pace at which he could acquire them. News last month that Mr Huizenga was close to an agreement with Toyota prompted a rebound in the Florida-based company's shares. This week's develop-

less than \$21 in June, although the stock is still below its high of more than \$40 early in the year.

Republic has used its stock to huy 190 car dealerships. making it the fastest growing of a group of hig compatransform the fragmented and often undercapitalised retail system for new vehicles. Its rapid growth prompted legal actions from hoth Toyota and Honda. which claimed that unfettered acquisitions would undermine their ability to control the quality of their dealers and could burt

Toyota brought legal actions against Republic in state courts in Arizona, California, Florida, Tennessee and Texas. Yesterday, it said

another \$4 yesterday morn- mant with the company, ing, to \$32%. That is up from details of which were not disclosed, would enable it to protect the interests of its dealers and customers.

Honda, meanwhile, said it planned to appeal against the decision by the US district court in central California on Monday, and would nies which has set out to also launch separate actions in state courts. It said it was acting "to protect our dealers and customers from the disruption caused by Republic's buying binge."

The Japanese company added: "We will not compromise Honda's brand reputation, nor abandon our dealers' and customers' rights."

Republic has already acquired three Toyota and three Lexus dealerships, and has another 11 awaiting completion. It has also acquired two Honda and two Acura dealerships, with



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management expertise, and we worked with them as they were forming Coral Energy, Bankers Trust developed highly innovative, flexible pricing structures that were tailored to meet the needs of Coral's customers. This allowed Coral to distinguish itself within the industry by offering unprecedented price flexibility and control to the end user. Bankers Trust is compensated based on performance and, as a result, takes a part in the opportunities and risks associated with the venture. With the creation of Coral Energy, risk has been turned into opportunity. To take advantage of similar innovative thinking, we invite you to call us.

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# Gartmore to run down equity exposure

By Barry Riley

Britain's fourth-largest manager of pension funds, Gartmore Investment Management, has flagged a warn- ahead of the industry avering of what it describes as age. It plans to continue to "extreme conditions" in the run down its equity expostock markets. It says it is sure in the near future taking urgent action to pro- ahead of expected sharp

Gartmore, a subsidiary of Within the past few

agement of some £47bn (\$75.7bn) has raised liquidity in its balanced funds to 17 per cent, some 10 per cent stock market declines.

UK pension fund manager, whose investment director, Tony Dye, has been regarded as London's higgest bear, as the most pessimistic institution in the City of London.

crash in October that year.

As he spoke, however, have been booming. London's FTSE 100 index fin-Speaking at the company's ished 23.9 points higher at Pensions Fund Authority, a markets in the US and

cent of total assets, with fur- joint chief executive and has underperformed the indi- switched a f450m mandate ther 2 per cent reductions in chief investment officer, ces during the recent phase from Gartmore to Mercury south-east Asia. It now rivals described the markets as of stock market strength. Mr Asset Management, because PDFM, the second-largest being more risky than in Watts said sterling's of unsatisfactory perfor-1987. Gartmore reduced its strength had held back its mance since Gartmore's equity exposure shortly industrial growth stocks appointment four years ago. before the stock market while it was underweight in sectors like the banks, which

National Westminster Bank, months Gartmore has cut annual investment confer-

Boosey's shine

Cinven sweeps up

announced its intention to Hillsdown will take an

tive, said it would enable for disposal: Towers Thomp-

Hillsdown sales

with total assets under man- UK equity exposure by 3 per ence yesterday, David Watts, leading managers, Gartmore terday announced it had Mr Watts said Gartmore was preparing an aggressive response to a phase of excep-By coincidence the London tional overvaluation in stock



Kicking-off: (1-r) David Chance, deputy MD BSkyB, Martin Edwards and Steve Morrison, CEO Granada Group

# T&N receives tentative inquiries Sterling dulls

T&N, which is fighting shy of a £1.25bn (\$2bn) bid Sir Colin Hope, chairman, to approach from Federal-Mogul of the US, has received

neers. Assessing how serious year. The talks were for a compared with Friday's the other parties are about merger rather than a take-indicative offer price of 235p bids for all or part of T&N has delayed the response of Federal-Mogul

It also emerged yesterday that T&N held talks with Federal-Mogul earlier this

over, and are understood to per share. The shares shed have ended in August

Federal-Mogul'e merger detailed enough to force would have valued T&N at T&N to inform the London

By David Blackwell

Boosey & Hawkes, the music publisher and instrument maker, has already notched up costs of £566,000 (\$911,000) for advice after being put into play by its leading

The costs, coupled with the impact of strong sterling, knocked the shine off the results yesterday, cutting pre-tax profits from £2.05m to £1.76m for the six months to June 30.

The shares fell 37%p to close at 787%p, continuing the retreat from the August peak of £10.62%p. Last Thursday, the shares fell 12 per cent, when Carl Fischer, was out of the way.

By John Willman

Hillsdown Holdings is to sell

seven food products and

packaging businesses to Cin-

ven, the venture capital com-

pany, for £53.6m (\$86.3m)

The diversified food group

sell nine businesses – including its remaining red

meat interests - with the

interim results last month.

George Greener, chief execu-

Hillsdown to focus on core

divisions: chilled foods, poul-

try and ambient foods.

the New York music publisher that holds 45.3 per cent of Boosey, said that potential buyers were indicating interest "materially below" the share price.

Fischer put itself up for sale in April following the death last year of Walter Connor, its president and Boosey's non-executive chairman.

Richard Holland, chief executive, said profits would have been almost £1m more without the exchange effect. Underlying growth was 38 per cent.

He added that the group would like to make acquisitions, once the Fischer sale

The seven businesses will

be held by Argent Group

Europe, a new company

formed by Cinven and man-

aged by David Gray and

Andy Hunter, two former

The capital employed at

June 30 was £81.2m and

exceptional charge of £30m

Discussions are under way

for the sale of the remaining

two businesses earmarked

son, the meat trading busi-

makes suspended cellings.

ness, and Formwood which

Hillsdown executives.

at the year-end.

# Soccer climbs business league

By Patrick Harverson

The changing face of English soccer was evident yesterday. when Manchester United confirmed it would set up its own television channel and Chelsea announced plans to double the size of the hotel its parent company is hullding at the club's £100m (\$161m) property development in London.

Announcing their annual results to City of London analysts and reporters, the two quoted clubs' ambitions underlined the prosperity of the English game and illustrated how the top clubs are hurrying to exploit the value

of their football "brands". Martin Edwards, United's chief executive, described its decision to set up MUTV in a joint venture with BSkyB, the satellite broadcaster, and Granada, the media group, as B "milestone" in the history of the famous club.

Under the terms of the deal, BSkyB and Granada will provide the bulk of the Lex. Page 16

£10m development costs of the channel, which will be sold to subscribers via digital and satellite services from next autumn. The three partners will share income from the venture equally. while United will also receive a royalty on every subscription sold.

The creation of MUTV is a significant development for football because it is the first step towards a future predicted by many analysts and observers in which clubs own the television rights to their home games and broadcast them on their own subscrition channels.

At Premiership rivals Chelsea, Ken Bates, chairman, said improving conditions in the hotel market had persuaded the club to ditch plans for offices at Stamford Bridge and apply for planning permission to build an 140-bedroom extension to the 160-room Chelsea Village hotel.

NOA.

By Andrew Edgecliffe-Johnson

RESULTS

eral other automotive engi-

because T&N was not content with the price offered. less than 180p, it is believed,

4p yesterday to close at 249%p. The latest approaches are not thought to have been Stock Exchange

Total last Yr to June 30 24.50 (25C) 12 (9.16) (+) 0.098L (0.05L) (134.8) 1.3L (38.3L¢) (0.333) 0.075L (0.01L) (42.2) 1.75¢ (2.05) (4.62) 0.008¢ (0.075L) (4.62) 0.218L¢ (0.665) (3.7) 1.02 (0.665) (15.9) 0.378L (2.95L) (2.047) 20.2 (15.5) (86.8) 12.1♥ (1.08L¢) (100.2) 7.02 (5.71) (8.7) 5 (4.1) 74.8 1.68 . Yr to Mar 31 an H'care Ø. 6 mths to June 30 \* ces \_\_ 6 mths to June 30 6 mths to June 30 23.7 \_ Yr to July 31 6 mths to June 30 133.4 6 mths to June 30 9.6 (8.7 ) S (8.2 ) 1.94 (-) 0.704 (-) 1.07 (21.4 ) 0.8034 (396.1 ) 11.14 (-) 11.5 (25.1 ) 0.153.\(\psi\) (58.9 ) 2 (0.719 ) 0.138 (16.9 ) 0.574 6 mths to June 30 -6 mths to June 28 23.5 6 miths to June 30 6 miths to July 31 (11.1 ) (5.81L4) Oct 31 Yr to Mar 31 (2.12) (0.028L) (0.669L) (15.4♥) (0.185L4) (0.04) London Town Ф \_ 6 mins to June 30 ★ 0.482 Lytes (S) \_\_\_\_\_ Yr to June 30 20.1 0.138 0.504 27.5 0.717 (0.719 ) 0.138 (16.9 ) 0.504 (53.3 ) 27.5 (14.7 ) 0.717 (0.346 ) 0.649 (1.99 ) 0.27L (2.73 ) 0.137L (28 ) 0.898L (102.5 ) 1.34 (0.616 ) 0.18L (39.3 ) 0.487L (6.96 ) 0.41 (4.91 ) 0.485L (2.49 ) 0.5 (193.3 ) 0.5 \_\_\_ Yr to July 31 \_ 6 mths to June 30 97 to March 31 0.118 6 miths to May 31 SS 1.58 2.37 0.071 0.07L 0.016 6.81Lt (1.5L ) 1.47L (0.98L4) 2 (0.047L4) 0.002+ (0.308L) 3.09Lt (4.66L ) 0.12Lt (0.308L) 0.12Lt 6 mths to July 26 6 milts to June 30 6 miths to June 30 ... 6 miths to June 30 0.188 Yr to Mar 31 30.8 7.87 (0.995\(\psi\) (0.262\(\phi\) (17.4) 6 mits to June 30 0.17L 6 miths to June 30 2.97 6 miths to June 30 184.5 (2.49 ) (193.3 ) 1.2 18.1 Watte Stake Beams \_ 6 mits to June 30 (53.3 ) (24.8 ) 50.5 Energy Capital \$ \_\_\_ 6 mits to June 30 207.57 (201.84) 1.13 (1.25 )

Badiotrust \_\_\_\_ 6 mits to July 31 120.37 (122.33) 0.105 (0.098 )

Schroder Japan \_\_\_\_ Yr to July 31 77.83 (86.12 ) 0.838L (1.12L )

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. [] Rental income. After exceptional charge. \$\forall After exce

#### **INSURANCE COMPANIES ACT 1982** CONSOLIDATED MARINE & GENERAL INSURANCE COMPANY LIMITED

TRANSFER OF GENERAL BUSINESS

1. Notice is hereby given that Consolidated Marine & General Ins Company Limited applied to the Secretary of State for Trade and Industry on 30th September 1997 for his approval, pursuant to Part II of Schedul 2C to the Insurance Companies Act 1982, to the proposed transfer to Financial Insurance Company Limited of all of its rights and obligations ler certain general policies written by it on or prior to 30th September 1997 in the United Kingdom, Finland and Portugal.

2. The proposed transfer of curtain policies of Consolidated Marine & General Insurance Company Limited to Financial Insurance Company Limited forms part of a proposed reorganisation within the Consolida Group of Companies. General Electric Company is the ultimate parent spany of both Consolidated Marine & General Insurance Con Limited and Financial Insurance Company Limited. General Electric Company is an American company and is not related with the English my of similar name.

. A copy of the Statement of Particulars of the proposed transfer is available for inspection at the registered office of Consolidated Marine & General Insurance Company Limited et Vantage West, Great West Road, Brentford, Middlesex TW8 9AG and at its branch offices at Aleksanterinicatu 9A, 00100 Helsinki, Finland and Edificio Presidente, Av Miguel Bombarda, 36-12A, 1050 Lisboa, Portugal on Mondays to Fridays between 9.00 am to 5.00 pm local time when particulars may be inspected until 1st December 1997.

Written representations concerning the transfer may be sent to the Secretary for Trade and Industry, Insurance Directorate, 1 Victoria Street, London, SWIH OET before 30 November 1997. The Secretary of State will not datermina the application antil after coosidaring any

The Financial Times plans to publish a Survey on

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on Tuesday, December 2

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Shareholders are kindly invited to attend an extraordinary general meeting with the agenda hereafter, to be held at the offices of Banque Internationale à Lutembourg on 13th October, 1997 at 3.00 pm.

To change the name of the Corporation to MLB(S) (LUX) INTERNATIONAL PORTFOLIOS and to amend Article 1 of the Articles

There is hereby established and there exists among the subscribers and all those who may become owners of shares thereafter issued a corporation in the form of a "société d'invossissement à capital variable" under the name of MLB(S) (LUX) INTERNATIONAL PORTFOLIOS (the The Composition shall enter into an investment advisory

Marrill Lynch Bank (Suissa) S.A. or any of its affiliates for the management of the assets of the Corporation and assistance with respect to its portfolio selection. In the event of termination of said agreement in any manner whatsoever, the Corporation will change its name within 90 days of a written request by any such entity, by a decision of the To smend Article 20 of the Articles of Incorporation to allow the

10 amend Article 20 of the Articles of Incorporation to allow the autometic mergar of the MLB(S) (LUX) INTERNATIONAL PORTPOLIOS - Fixed income Portfolio (DM) and the MLB(S) (LUX) INTERNATIONAL PORTPOLIOS - Fixed income Portfolio (ECU) on the date of introduction of the EURO, anticipated to be on 1st January 1999, into one single Portfolio denominated in EURO, without notice and

Shareholders are advised that the extraordinary general creeting too quorum of presence of 50% of the shares issued and that decisions seamed if approved by 2/3 of the shares present and/or represented. By order of the Board of Directors

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older approval.

CPR, the French bank specialised in investment banking services and asset management, is to open, through its 100% subsidiary Banque CPR, a new branch in London. The activities of Seccombe Marshall and Campion, a 100% subsidiary of CPR since 1989, will be transferred on the 1st of October to Banque CIR London Brench Banque CPR, London Branch, 1 Angel Court London EC2R 7HQ CPR, Olivier Mirat, Tel: 00 33 1 45 96 24 44 Banque CPR London Branch, Christopher Chapman, Tel: (44) 0171 600 4004

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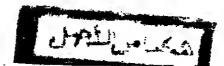
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### COMPANIES AND FINANCE: UK

# Reed Travel lacked a chief

By John Gapper, Media Editor

SER LIST

Reed ... Elsevier, the after Tony Tillin, now chief publishing group, suffered prolonged disruption to the senior management of Reed Travel: the unit where circulation figures of some publications were exaggerated, it emerged yesterday.

Reed Travel lacked a permanent chief executive for full-time last September by most of the time from the end of 1994 to September 1996. During this period, one person became chief execu-

ourho shares are sink-

another acted in that capac-

The disruption occurred executive of Miller Freeman Worldwide, the exhibition arm of United News & Media, left Reed in December 1994 when part of the company was restructured.

Mr Tillin's post as head of Reed Travel was taken up Kathy Misunas, a senior executive recruited from Sabre, the airline travel company. It was Ms Misunas's

Lonrho

discovered the problem. The disruption to senior

management in the unit is likely to be among the issues examined by the investigating team announced yesterday. It is being led by Freshfields of the UK, with Davis Polk & Wardwell in the US.

The team also includes accountants Arthur Andersen, and Audit Bureau of Circulation. The travel titles involved are thought to have had circulations mis-stated over several years from 1991. The Anglo-Datch group tive for a short spell and management team which said Ian Thomas, former

containing Reed Travel, had been in overall charge of the business until Ms Misunas's arrival Mr Thomas retired around the time of Ms Misunas's appointment.

Reed, which disclosed the problem last Friday, said the investigation team, which would be fully independent, would report to the audit

Mr Tillin is thought to have expressed concern at the possible mis-statement of figures when chief executive

make a combination with its

own mining operations the

first step in Lonrho's mining

Mr Morrell is hunting

gamely in a jungle shared

with corporate animals of

But this is no blue-chip

investment. Few brokers

still make any pretence of

analysing Lonrho's pros-

pects in terms of profit and

loss. Those that do surmise

the group might make pre-

tax profits of around £110m

this year, putting the shares

on a prospective p/e of 19.

with a yield of around 5 per

The rating looks racy

estimates that on

against the market because

break-up it could he worth

But who cares? Shares in

Lonrho are bardly an active

counter on the stock

Optimists argue that eco-

nomic reforms will provide

rich opportunities for inves-

tors in Africa. But recent

unrest in Kenya is evidence

of the difficulties along that

Add the painfully slow

progress by Lonrho's man-

agement, the complexity of

its task, and the limitations

on any potential hidder

other than JCI arising from

the latter's option over 27.7

per cent of Lonrho shares,

and it is surprising that the

exchange trading screens.

more than 160p a share.

incomparable guile.

### LEX COMMENT Cordiant

Cordiant's decision to ask 140 top employees to invest Som of their own money in a long-term incentive scheme as part of its demerger appears to be an innovative solution to the perennial problem of locking in creative talent. It achieves three simple objectives: it increases the personal stake directors and account managers

have in the success of a business; it should boost motivation by posing the risk that a personal investmeot will be lost if minimum thresholds are not

reached; and it ties people in for three to four years.

Nevertheless, shareholders should think twice before giving Cordiant a standing ovation. The hurdles set hy the scheme look rather too easy. It is unlikely that either of the two demerged husinesses will return less than the 5 per cent annual earnings growth below which employees forfeit their investment. Meanwhile, growth of 25 per cent a year - the level at which the scheme pays out humper sums of around 16 times the initial investment - is only in line with what analysts were expecting for the group before demerger. And if this target is hit shareholders suffer 10 per cent dilution.

Shareholders should he all in favour of generous payouts to executives who turn in exceptional performance. And special incentive schemes are probably almost as necessary in the advertising world as in investment banking. But investors should insist that Cordiant sets more demanding targets for their golden handcuffs which take market expectations into account.

# FTSE All-Share Index 1981 92 83 94 95

# bolster Delphi

Pre-tax profits for the six

The group, which has been expanding its overseas bustness in recent years, said it was also seeking a listing on Nasdaq for a placing of American Depository Shares representing up to 5.75m new ordinary shares. Tony Reeves, chief execu-

Simon Group plc

UK advisers on the disposal of the Industrial Business of

the Access Division to Teres Corporation

Advised by CBCF

seek a Nasdaq listing "refelects our confidence in our prospects in the US market, where our performance has grown significantly year on

tive, said the decision to

doubled to £40.3m, while US operating profits nearly trebled to £2.4m out of a total of £7.63m (£6.01m).

Mr Reeves said this growth, coupled with the increased equity investment in Groupe Decan in France, would add impetns to its strategy of broadening the range of services offered and enhancing the group's ability to deliver them on a

# Guilbert

Sales and Results for the six months ending 30th June 1997

	(interim f	(Interim figures, million france					
	6/97	6/96	12/96				
Sales	2 728	1 614	4 174				
Operating Profit	250	205	358				
Profit on ordinary activities							
before Tax	273	234	411				
Group share of Nat profit*	167	140	259				
before amortisation of goodwill							
	30/6/97	30/6/96	30/6/95				
Profit per Share 6 months (FF	r)* 16.61	16.27	14.00				

Related to the number of shares as at the S1st December each year,

Analysis of results

The major increase in the size of the Group (Sales + 58% at constant exchange rates) makes a direct comparison of the above results difficult. The June 1997 consolidated results include (June 1996 not

(Niceday, Walther & Sohn);

JM Bruneau has been consolidated proportionally (31%) since French Operations (48% of sales):

 The growth over the first six months (+ 3<sup>n</sup>6) includes considerable growth perticularly in the second quarter (+ 896). Profit on ordinary activities is back in fine with the 1995 results. The results of the intervening year, 1996, were

 The supplementary French corporation tax charge on group companies is approximately 9 M FFr. The strong results of JM Bruneau have, as predicted,

increased profit per share in Guilbert. Operations outside of France (52% of Sales)

 Guilbert Ofrex continues to increase sales and at the same time improve profit margins.

Niceday is ahead on its recovery plan schedule In Germany, the pooling of ressources of our two subsidia

continues apace. Together they are already breaking even. The Spanish and Belgian subsidiaries continue to grow and contribute positively to Group results.

#### Second Half Outlook

The present level of activity and the steady improvement in operations in the United Kingdom indicate that the strong results of the 1st half will continue into the 2nd half of the year. For the year ending December 31st, after adjusting for the 1997 share issue (3.5% of capital), we can expect the net profit per share to increase yet again by a double digit percentage figure.

Guilbert SA 60451 Senlis Cedex Facsimile: (33-3) 44 54 55 99

# Flexible workers

By Paul Taylor

Technogical developments and the need for a flexible workforce helped Delphi, the computer services group, report a 22 per cent improvement in interim pre-tax prof-

months to June 30 were £7.02m (\$11.3m) on turnover up 33 per cent to £133.4m.

US revenues more than

# ABBEY NATIONAL

Abdij Nationaal First Capital B.V.

U.S. \$75,000,000 Subordinated Guaranteed Floating Rate Notes Due 2002

For the Interest Period 30th September, 1997 to 30th March, 1998 the Notes will carry an Interest Rate of 5.71875% per annum. The Coupon Amount payable per U.S. \$1,000 Note will be U.S. \$28.75, and for the U.S. \$10,000 Note, U.S. \$287.53, and for the U.S. \$100,000 Note, U.S. \$2,875.26, pavable on 30th March, 1998. Lenal on the London Stack Exchange

Bankers Trust Company, London

Agent Bank

PSIT plo

by MEPC plc

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MDIS Group plo

Chess Joint Venture with Fujitsu, placing and open

offer and a capital

by CBCF

Borthwicks plc

Recommended offer by

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#### ing gently in a quag-mira of unfulfillad promises. A year ago, shares m the rambling African trading and mining conglomerate could have been sold by anyone wishing to crystallisa thair losses for 179p apiece. This month they have been trading for as Among investors, worries are mounting that the Lonrho board, led by chairman Sir John Craven and chief executive Nicholas Morrell, will fail to deliver value for shareholders through the group's much trailed Changes of course have been all too frequent.

Whither the Lonrho promises?

Ross Tieman finds the break-up strategy somewhat lacking

Results. all too rare. Now, investors fear, too, that JCL the South African mining group which holds an option over a 27.7 per cent stake in Lonrho, may use it to gain effective control without paying an appropriate presolved remains all too long. Mr Morrell, who took over

almost a year ago after more. persuasiva manner than his predecessor. He has managed to unload soma problem businesses, as

break-up strategy.

African sugar plantations. if the working capital needed to support Lonrho's vehicle sales operations is set aside, the group is now stake in Hondo, the oil and virtually ungeared.

e :1

andy. October

A £210m demerger of the African Trading business is Dieter Bock bailed out has a now pencilled for naxt and a string of other lesser spring, more than a year behind schedule. Talks about a sale of nine of the remaining 10 Princess hotels

well as Lonrho's lucrative drag on. Flotation of Dutton-Forshaw, the UK car dealerships, or a sale to management, has still to be decided. Disposal of Lonrho'a £50m gas exploration company, is

the sale of FE Wright, the insurance broker, cotton merchants Baumann Hinde subsidiaries. And then there is the plan

to build a world-class mining group upon Lonrho's rump of mining operations. The group is already undertaking due diligence inquiries into the proposed purchase of Tavistock Collieries in South Africa from JCL And JCI, a clumsy, over- share price decline has taken

Yet the list of issues unre- on the cards, together with eager suitor, is pressing to

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Proposed acquisitions of Fastline Group Ltd and Relayfast Ltd and by CBCF

> lpeco Holdings ple asticion Ltd to buy out the

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Wagon Industrial Holdings p.l.c. Disposal of Repail System Division to Linde AG Advised by CBCF

An excellent second six months . . , and a record year

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### INTERNATIONAL CAPITAL MARKETS

spread between two-year and ment and should increase

New international bond issues

government towards joining

Emu. The market had rallied

2 basis points to 104 points.

The yield curve has sub-

long-dated bonds narrowing

by 6 basis points yesterday. Mr Kevin Adams, gilt

# Europe higher as German rates held

GOVERNMENT BONDS By Simon Davies in London and John Labate

in New York Government bond markets drifted mostly higher yesterday ahead of the Federal Open Market Committee's

policy last night. With expectations that there would be no move from the US, most European bond markets strengthened decision to leave the repo

rate unchanged.
GERMAN BUNDS firmed in the absence of an interest rate rise, although bund yields again failed to break level of 5.5 per cent. Analysts saw little chance of B break-through without a strong lead from the US, which also releases non-farm payroll figures this week.

The December futures contract in London settled at 102.96, up from 102.88 on Monday, and volumes increased sharply to 130,800 contracts.

There had been little expectation of a rate rise. "The D-Mark is strengthening and there have been satmeeting on US interest rate isfactory numbers on producer and consumer prices". said Julian Jessop, chief European economist at Nikko Europe. "However, we know the next move is going following the Bundesbank's to be up, and the Bundesbank may want to take the market by surprise."

FRENCH OATs were supported by the Bundesbank decision, and yields rose to a 4 basis point discount to through the resistance yield bunds. Howaver, traders suggested French investors were still switching from the domestic market into convergence plays in Europe. The December contract in that the Bank of Spain could

ITALIAN BTPs recovered after their sharp declines on there was some recovery in growing expectation that a issues, the two-year note lost Monday. Many investors spite of the absence of any strengthening in retail sales 1 to 292, yielding 5.783 per concluded that, while the firmer commitment from the Reconstructed Communist party would make a lot of noise over the government's strongly on Friday, after proposed reforms to the pen-reports of a more positive sion system, it would not stance. The benchmark bonds, as the government bring down the government. December gilts contract set- revealed that there would be After all, the alternative tied at 119th, up I on the no long-dated suctions in the believe it could move at the would most likely be a right day. But the yield spread wing government, which over bunds widened another would take a tougher line on

the pension deficit. tract clawed back more than last two days, with the sector borrowing require- markets overnight, and a third of Monday's losses, rising 0.32 points to 111.96, with 58,700 contracts traded. Further volatility is expected over the coming weeks, as voting starts on the budget.

strategist at BZW in London, said: "The rise in short-term SPANISH BONOs also foiyields reflects the fact that lowed BTPs upwards, with we are not out of the woods the December contract in as far as inflation is con-Barcelona increasing 0.34 cerned. The monstary committee may be on hold for points to 104.04, on hopes the moment, but the next Paris rose from 99.48 to 99.64. cut interest rates on Friday. move in rates is still likely

figures in the lead-up to cent while the 10-year note Christmas could spark was down to 1001, yieldanother rate rise.

Meanwhile, there was further buying of long-dated next quarter. There will be only one issue of 10-year gilts and a new issue of a shorter maturity. This The December BTP con- stantially flattened over the reflects the falling public

> dated bonds. US TREASURIES drifted lower after the Federal Open Market Committee decided not to change interest rates at its afternoon meeting.

demand tension for longer-

By mid-afternoon the benchmark 30-year Treasury bond was 1/2 lower at 9911. sending the yield higher to 6.393 per cent.

In the UK GILTS market, to be upwards." There is a Among shorter-term ing 6.094 per cent.

Market analysts had widely expected the Fed not to change rates at the current meeting, although some next meeting in November.

Treasury prices had moved lower throughout the morning. There was pretty heavy selling in overseas that's been weighing on the market," said Tom O'Connell, senior govarnment trader at First Chicago Capital Markets.

Helping prices somewhat in early trading was a lower than expected reading on business activity in the regional Chicago Purchasing Management report, which slid to 61.2 per cent for September.

### CAPITAL MARKETS NEWS DIGEST.

# Moody's raises Norway's rating

Norway has outperformed the sycrage of European Union countries on all economic indicators since 1992, according to Moody's Investors Service, the US credit rating agency. As a result, Moody's yesterday upgraded the country's sovereign ceiling to Asz and simultaneously raised the rating of its bonds denominated in foreign currencles.

The foreign currency ceiling constrains the ratings of all entities based in the country. Several Norwegian borrowers also saw their ratings raised, including Eksportfinans, which has more than \$7hn of debt outstanding. "The upgrade reflects Norway's unparalleled and grow-

ing financial strength among OECD countries," the agency said. "This is] the outcome not only of the country's enormous hydrocarbons wealth, but also of the gennine improvement of the non-oil economy."

Moody's also pointed ont that although Norway was not an EU member, it was one of the few European countries to meet all the Maastricht criteria for economic and monetary union. Economic growth has averaged 8 per cent a year since 1992, while unemployment has been brought down from 6 per cent to 3 per cent. The rate of inflation has everaged 2 per cent.

However, Moody's warned that there were signs of overheating in Norway's economy, "which could place pressure on the competitiveness of traditional industries and lead to a reversal of the improvements to date".

# Abbey National pays more for US dollars

INTERNATIONAL BONDS By Edward Luce

and Samer iskandar

Primary activity in the eurobond market remained subdued yesterday, with bankers saying investors needed time to absorb recent

supply. ABBEY NATIONAL, the UK bank, braved the mar- points. kets with its first issue since spreads started to widen in the dollar market over the past few weeks. The threeyear offering was priced to yield 25 basis points over Treasuries, significantly wider than Abbey's last three-year offering, which was priced at 15 basis points.

An official at SBC Warburg, the book-runner, said the \$300m deal was priced to "reflect what had happened in the market since early

August" Of the double-A and triple-A credits only SEK. Swsden's export credit agency, has come to the dollar sector recently. It issued at a spread of 12 basis

"This is the first time investors have been able to buy a high quality double-A name at such a wide spread for almost three years," said the official.

SBC said it sold about 60 per cent of the paper yesterday, much of it going to UK institutional investors.

Syndication officials, however, expected the spread would sntice Swiss retail investors back to the dollar market after an absence of

several weeks The WORLD BANK tapped the Czech koruna with a Kč2bn issus of one-year paper aimed primarily at retail investors.

The lead manager. Hambros Bank, said the deal would appeal to Italian buyers, who benefit from an exemption on inheritance taxes on bonds issued by supranational borrowers with a maturity of less than

It also said there was some demand from investors in E US DOLLARS First Security Bankalt Abbay Nati Tray Services IN FRENCH FRANCS Asset-Backed Capital Oct 2003 0.275R IN ITALIAN LETE 500bn 250bn 100.00 Oct 2002 Banca di Rome E GUILDERS SNS Bank 5.875 98,95R Oct 2007 0.425R +34(81/4Sep07) ABN Arriro Hoare Govett PESETAS .... 101.00 Oct 2007 1.10 LW Rentenbank(d) 102.25 Dec 2009 1,875 13.25 T00.77 Oct 1996 1.00

region, who are traditionally existence of a relatively liqattracted by high coupons, Almost 75 per cent of the amount, however, is expected to end up in Italy.

Among high yielding emerging market currencies, the Czech koruna is made Switzerland and the Benelux particularly attractive by the

uid swap market, which allows borrowers to offer high coupons to investors while ending up with a low overall cost once the proceeds are converted into a benchmark currency such as the dollar or D-Mark.

US CORPORATE BONDS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡
Rosting-rate note. R: Flued re-offer price; tess shown at re-offer level. a) Plus 2 days accrued. e1) 3-min Libor +10bp. b)
Domestic issue. b1) Pays one coupon at maturity linked to performence of international equity basiset, minimum 18%. c)
3-min Libor flat. c) Callable on 29/10/98 at per. d1) 5.65% to 29/10/99, then 6.26%. I) Long 1st coupon.

ASSET-BACKED CAPI-TAL, a special purpose vehicle, launched a securitised deal in the French franc sector, with Bear Stearns as lead manager. The triple-A rated paper carries 8 six-year maturity and pays a 5 per

### FRENCH RAILWAYS

INTERNATIONAL BONDS

### Highest debt gradings for RFF

Réseau Ferré de France, the state-backed company that owns France's rail network, was yesterday awarded the highest grades by Moody'a Investors Service, the US credit rating agency. Moody's said RFF's ratings - Aza for long-term debt and Prime 1 for short-term debt reflected the company's "very strong sovereign character istics...despite its structural financial imhalance".

RFF, which is responsible for managing and developing the rail network, was demerged in February from SNCF. the railway operator. In exchange for ownership of tha infrastructure, RFF assumed FFr134.2bn of SNCF's debt. Its revenues will consist of access charges from SNCF and government subsidies previously paid to SNCF. Moody's said RFF was "an instrument of public policy.

As such, it is likely to remain very close to the government's central interests."

RFF's ratings are higher than those of SNCF - Aa1 for long-term debt - because, the rating agency explained. the reform that gave RFF its quasi-sovereign ratings took some of these characteristics away from SNCF. The rating agency also said the rating differential

between the two borrowers was justified by the fact that SNCF would eventually be exposed to competition, while RFF was unlikely to lose its monopoly status.

Samer Iskanda

	ROND	DOLOGE
MLD	BUND	PRICES

**BENCHMARK GOVERNMENT BONDS** 

Sep 30	Date	Coupon Price	Aleid Bid	Day chg yleki		Month chg yld	Year cha vid
Australia	03/99	6.250 102.1456	4.70	+0.04	+0.07	-0.25	-2.0
	10/07	10.000 128.5047	<b>£.11</b>	+0.04	+0.04	-0.43	-1,6
Austria	09/99	7.000 104.9700	4.30		-0.01	+0.10	+0.5
	07/07	5.825 100.4100	5.57	-0.02	-0.02	-0.16	-0.5
Belgium	03/07	7,000 104,2399 6,250 104,8000	4.14 5.61	+0.01 -0.03	+0.03	+0.12	+0.8 -0.8
Cenada	03/99	4.000 99.9100	4.06	-	+0.01	-0.18	-0.8
	06/07	7,250 110,8200	5.76	+0.01	-0.01	-0.24	-1.37
Denmark	12/99	8,000 102,8085	4.61	-0.02	-0.04	+0.01	+0.19
	11/07	7.000 107.4831	5.99	0.03	-0.11	-0.31	0.90
Finland	01/99	11.000 108.4530 7.250 110.2775	5.89	-0.06 -0.08	-0.09 -0.06	+0.14	+0.03
France	11/99	7,000 105,6800	4,13	-0.01	+0.01	+0.07	+0.07
rance	10/04	8.750 109.3800	5.13	-0.04	+0.01	-0.07	-0.5
	10/07	5.500 100.0800	5.49	-0.02	+0.01	-0.11	-0.6
	10/25	6,000 96,2300	6.13	-0.03		-0.20	-0.7
Germany	06/98	3.500 99.2200	3.98	-0.01	+0.01	+0.09	+0.4
	07/94	8,750 106,7200 6,000 103,5000	5.19 5.52	-0.03	+0.03	-0.11 -0.16	-0.50 -0.50
	07/27	6.500 104,4700	6,17	-0.02	-0.02	-0.22	-0.7
kelend	04/99	6.250 101.1500	5,40	-0.04	-0.03	-0.44	-0.70
	06/08	8.000 113.6000	5.98	-0.02	-0.04	-0.39	-0.90
italy:	05/00	6.000 101.6800	5.30	-0.03	-0.01	-0.77	-24
	05/02	8.250 102.7000 6.750 104.7200	5.58 6.10	-0.03	+0.02	-0.60 -0.60	-2.48
	11/28	7.250 107.7500	6.87	-0.03	+001	-0.52	-2.20
Japan	06/98	4.800 107.3100	0.49	+0.03	+0.03	-0.03	-0.80
	12/02	4,800 118,9100	1.42	+0.05	-0.02	-0.11	-0.51
	06/05 03/17	3,000 107,8000 3,500 110,7700	1.94	+0.01	-0.04 -0.04	-0.13 -0.08	-0.86 -0.67
Natherlands	06/99	7,500 105,4000	4.13	-0.01	+0.01	+0.04	+0.60
real lands	02/07	5.750 101.7900	5.50	-0.01	-0.01	-0.15	-0.43
New Zeeland	02/00	6.500 99.2572	6.83	+0.04	+0.13	-0.36	-1.25
	11/06	8.000 109.2524	6.81	+0.02	+0.07	-0.43	-1.46
Norway	01/99 01/07	8.000 105.9988 6.750 105.8587	4.23 5.77	-0.11 -0.05	-0.17 -0.06	-0.31 -0.27	-1.38 -1.19
Dankson!	03/99	8.500 104.8310	4.91	-0.01	-0.08	-0.38	-2.11
Portugal	02/07	2,625 104.7800	5.94	-0.06	-0.05	-0.44	-1.00
Spein.	07/99	7,400 104,5690	4.71	-0.03	-0.06	-0.50	-1.95
	03/07	7,350 110,4676	5.87	-0.05	-0.05	-0.45	-2.01
Sweden	01/99	71.000 707.6109	4.78	-0.01	-0.01	-0.10	-1.02
	08/07	8.000 113.3600	6.16	-0.02	-0.11	-0.45	-1.36
Bwitzeriand	03/99	4,000 103,1500 4,500 107,7300	1.75 3.54	+0.07	+0.02	+0.07	+0.05
unc	08/99	6.000 98.4375	6.90	+0.03	+0.03	-0.13	+0.86
J.K.	11/04	2750 101.7734	6.43	-0.02	-0.27	-0.64	-0.67
	12/07	7.250 105.9688	6.44	-0.02	-0.21	-0.63	-1.25
	08/21	8.000 117.4297	6.54	-0.04	-0.03	-0.46	-1.45
JS.	07/99	5.875 100.0780	5.22	+0.01	-0.01 +0.01	-0.14 -0.24	-0.26 -0.38
	05/04	7,260 106,2730 2,125 100,1250	6.11	+0.02	+0.02	-0.23	-0.58
	08/27	6.375 99.6880	6.40	+0.02	+0.02	-0.21	-0.52
ECU	03/99	5.000 100.6900	4.46	-0.05	-0.04	-0.07	+0.18
	04/07	5.500 98.4700	5.71	-0.03	-0.01	-0.26	-0.70

Sep 20	Bid Yield	Spread ve Bunds	Spread VE T-Bonds		Bici Yleki	Spread vs Bunds	Spread Vi T-Bands
Alestalia	a11	+0.59		New Zesland	6.61	+1.09	+0.50
Austria	5.56	+0.04	-0.55	Norway	5.77	+0.25	-0.34
Belgium	5.61	10.00	-0.50	Portugal	5.94	+0.42	-0.17
Canada	5.73	+0.21	-0.38	Spein	5.87	+0.35	-0.24
Desmark	5.98	+0.46		Sweden.	6.15	+0.63	+0.04
Priend	5.89	+0.17	-0.42	Sutzerland	3.54	-1.95	-2.57
Printer	5.48	-0.03	-0.62	LIK	6.44	+0.92	+0.33
Germary	6.62	_	-0.50	US	6.11	+0.59	-
Ireland	6.97	+0.45	-0.14	ECN	5.71	+0.18	-0.40
Italy	6.10	+0.58	-0.01	Source: Interacti	-		
Japan	1.84	-3.58		London closing.	The Line May	Harden Street	ACM I
Natherlands.	5.49	-0.03	-0.62	Amunitaed yield	pends 40	K CHOSE O	-

Sep 30	Fled date	Coupe	S & P Resting	price	Bld yleid	chge yki	chga	i
# FURON	R	1.3				, A.	regarded and the	1. 11
Crostia	02/02		BB8-	98,1449	7.50	-	-0.04	+1.
Poland	07/00		888-	103.0949	6.48	-0.01	-0.21	+0.6
Pussia nonecessors	11/01		<b>88</b> -	103.4206	8.23	+0.05	-0.35	+2.3
III DATIN	MERIC	All and		1 May 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1:::			75
Argentine	01/17	11.375	BB	116,0190		+0.01	+0.07	+3.5
Brazil	11/01	8,875		103.3049		-0.01		+1.5
Mexico	01/07	9,875			9.65		-0.25	+2.
III ASSA		507.000 	1.7.10		4. 8	137.15		
China	07/06	7,760	B88+	104,4779	7.04	-0.01	+0.07	+0.9
Philippines	10/15	8.750		99.9980 99.0777	8.75 7.88	-0.03		42.
Thailand	04/07	7,750				-0.06	+0.64	41.7
AFRICA	HIDDL	E EAST	4			100	A	, ,
Laburon	07/00	9,125	88-	103.2558	7.77	+0.02	-0.09	+1.5
South Africa	12/99	2.825		105,6849	8.79 8.56	-0.05	-0.08	+0.0
Turkey	05/02	10,000						+24
# DEEDY	HOMO:		1.0	ele de		200		
Argontina	03/23	5.500	BB	75.3120	8.30		+1.85	+1.
Grazil	04/24	5.250		72.2056	8.57	+0.01	+1.65	+2.3
Mexico	12/19	5.250 5.750		82.9169 87.1439	7.89 7.99	+0.09	-0.80	+1.5
Venezuela London closin							MET KIK	_

### **BOND FUTURES AND OPTIONS** France M NOTIONAL FRENCH BOND FUTURES (MATIF) FF-500,000

	Open	GOLD THEO	CHILDS.	Lucia :	LOW	ERT AOT	Open Inc.
Dec	29.56	99.74	+0.28	99.80	99.50	83,167	133,833
Mar	96.90	99,12	+0.26	99.14	98.90	104	3,797
kun	98.56	98.79	+0.28	98.56	98.56	2	_
LONG	TERM FR	ENCH BON	D OPTION	NS (MAT	F)		
Strike		- CAL	LS			PUTS -	
Price	Oct	No	, De	<b>SC</b>	Oct	Nav	Dec
7	-	2.7	5 .		0.02	0.11	0.48
26	1.74	1.6	8 13	52	0.08	0.23	0.80
39	0.92	1.14	1.3	27	0.26	0.48	1,23
100	0.34	0.5	B 0.	B4	0.68	0.82	-
101	0.06	0.2	3 -		1.42	1.58	-
int. val. to	rai, Culta 7,891	Pues 8,784	Previous de	alus obau i	nt., Calls 55,	479 Puts 72	.567 .
Germ					• 544050 5		
MOIN	MAL GERI	INN BOM	HU ( UHB	5 (UFFE	DWS200,0	UC TUURS	01 100%
	Ones	Soft orice	Change	Hilah	I aw	Est wol	Ocean int

Mar	102.03					02.03	330	5678
	FUTURE	S OPTI		E) DM25	0,000 pc			
Strike			CALLS -				PUTS	
Price	Nav	Dec	Jan	Mar	Nov	Dec	Jan	Mar
10250	0.74	0.96	0.77	1.09	0.28	0.52	1.08	1.40
10300	0.44	0.69	0.56	0.88	0.48	0.73	1.37	1.69
10350	0.23	0.46	0.41	0.70	0.77	1.00	1.72	2.01

	DM250,000						
Dec	Open 104.02	Sett price 104.13	-	High 104.15	Low 103.92	Est. vol 86,908	•

	Open	Sett price	Charma	High	Low	Feet wol	Open Int.
Dec	111.70	111.98	+0.32	112.15	111.51	58773	118900
Mar	112.00	111.91	+0.32	112.00	112.00	50	1310
E ITALIA	N GOYT. BOI	(BTP) FU	TURIES OF	TIONS (LIFT	E) Lira200m	100ths of 1	00%
Strike		CAL	LS —			PUTS	
Price	1	Dec	Mar		Dec	Mar	
11150	1	.27	1.89		0,81	•	1.48
11200	0	.90	1.62		1.03	1	.71
							.96

Spain		
II NOTIONAL SPANISH BO	OND FUTURES (N	EF

- AUI	OTHE, OF A	MON DOM	) LO I OUE	20 function		
Dec	-	Sett price 104,04	_	_		
IK.						

	Open	Sett price	Change	High	Low	Est. vol	Open int
Dec	119-05	119-11	+0-07	119-17	119-00	66375	172238
Mar	119-07	119-08	+0-06	119-09	118-31	21	24
LONG	GILT FUT	URES OPT	IONS (LIF	FE) £50,00	00 64ths of	100%	
Strike		- CAL	18			PUTS -	
Price	Nov	Dec	Jan 1	Aar No	v Dec	Jen	Mar
11e	1-00	1-23 1	-37 2-	04 0-4	2 1-01	1-19	1-50
20	0-34	0-57 1	-07 1-	37 1-1	2 1-35	1-53	2-18
121	0-17	0-36 0	-48 1·	11 1-5	9 2-14	2-30	2-57
est val t	otal, Calls 80	82 Puts 158	. Previous	day's open	Int., Calls 4	1579 Puts	21814
	,			any o upan		12/2 1 663	21014
Ecu							

US							
M US.	TREASURY I	SOND FUT	URES (CE	T) \$100,00	00 32nds (	of 100%	
	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	Open 115-18	Latest 115-17	Change -0-08	-			Open Int. 615.099
Dec Mar				-		5st. vol. 341,246 10,837	

	E) Y100m 10			E GOVT.	BOND FU	TURES	
	Open	Close	Change	High	Low	Est. vol	Open int
Dec	128.65			128.76	128.58	3939	n/s
Mar	127,52			127.81	127.49	1351	TVE
A LIESTE A	121,32	dani 4 <b>-</b>	- 41		127.46		TVE

# data Coupo Resing W LITE ITES 07/02 7.25 AA 103.5888 08/25 7.00 A+ 96.8075 05/08 8.00 BBB 107.6301 8.35 -0.02 7.26 +0.01 6.96 -100.1682 101.7741

02/01 9.88 8 12/01 9.13 BB-06/04 10.75 B-

US INTERES	T R	ATES			_
Latest		Treesury	Bas a	and Bond Yields	
Priose rate	8 <sup>1</sup> 2 7 <sup>1</sup> 4 6 <sup>2</sup> 2	Cone month Two worth Three month Str month One year	5.03 5.31 5.46	Thro year Three year TO-year 30-year	4 4 4 4 4 4

	Red		. a & F		Bkd	chge	chge	٧
Sep 30	charbo	Coupon	Reting	- price	ykt	yld	yld	Govia
A TENED DA	1.4	1. 10	<b>1889</b>		Bar I	. X &	TA A	10,000
EB	02/07	5.750	AAA	101,3200	6.56	-0.03	0.14	+0.0
Spein	01/07	5.750	M	100.9700	5.61	-0.04	-0.15	+0.0
Philip Monts	03/04	5.375		99,1000	5.54	-0.03	-0.07	+0.3
ABN Aimo	US/05		IN/E	99.6765	** 5.47.	-0.03		
E ESTO, FFE			100.5		10 ES			F
Austria	01/04	5.500	AAA	101.9900	-5.12	-0.03	-0.04	
Abbey Nat	02/04	<b>000.</b> B	AA	104,2300	5.20	-0.01	-0.05	+0.0
Cred Foncier	02/04	9.125		118.9200	8.52	'-	-0.02	+03
Abbey Nat	09/06	4.510	AAr	101,4700	4.31	-0.08	-0.96	-1.0
E 2000187		A 100 A	303			200	3,54	4
EB	02/07	7.000	AAA		6.06	-0.04	-0.52	-0.0
Abbey Nat	02/02	6.800	AA	104.3800	5.63	-0.04	-0.83	-0.0
Walt Disney	06/00	8.625	A	107.0000	5.75	+0.10	-0.70	+0.4
Abbey Nat	03/07	8.000	AAr	103.2263	7.10	-0.11	-0.68	+1.0
<b>福用0</b> 单	TO THE	710				學學		e¥.
EIB	12/07	7.625	AAA	106.7815	6.66	-0.03	-0.65	
Dreedner Bk	12/07	7.750	· AA	104.7803	7.07	-0.03	-0.65	+0.6
RBS	01/07	9.375	, A+	107.3750	7.25	-0.02	0.63	+0.8
Abbey Nat	02/02	7.400	AA	99,9875	6.50	. +0.01	-0,80	+0.0
D. EUROS			11325	100			E. 1	200
EMB .	04/07	7,260	AAA	105,1809	8.50	_	-0.23	+0.30
ABN AITHO	06/07	7.125	<b>M</b>	102.6965	6.74	+0.02	-0.27	+0.8
Quebec	01/07	7.000	. A+	101.9732		+0.01	-0.25	+0.6
Citicorp	02/04	5.781	A+	09.7920	. 5.82	-0.01	:-0.04	-0.2
E PLAN CE		3.0				3 75	300	2
Bayer L-Bk	08/04	9.500	AAA	120.6758	5.76	+0.03	-0.27	+0.0
Toronto ·	05/04	B.500	AA+	114-2599	5.84	. , -	-0.18	+0.10
Self Canada	07/99	10.625		100.8002	4.74	+0.04	-0.23	-0.17
Deutsche Bk	09/02	5,875		101.9019	5.41	+0.02	-0.11	-0.00
ELMO, YES	1	2.0	4.00	104.19	100	*	17/4/2	10
World Benk	03/02	5.250	AAA	117.5000	1.21	+0.03	-0.10	-0.0
Spain	08/02	5.750	AA	118.3000	1.26	+0.04	-0.14	
Cred Fonder	08/02	4.750		113.9791	1.72	+0.05	-0.07	+0.50
Italy	07/99	0.703	M	100.6704	- 0.13	- +0.02	-0.01	0.36

UK BONDS															
FTSE Actua	ries G	ovt S	curit	ies							-		U	K Inc	fice
Price Indices UK Gifts	Tue Sep 30	Day's change %	Mon Sep 29	Accrued	xd adj. ytd							n yield	· · High	Sep-29	yeard -
1 Up to 5 years (19)	120.26	0.00	120.25	2.13	8.21	5 yrs	5,47	6.49	7.09	8.58	8.55	7.17.	6.62	5.62	7.22
2 5-15 years (21)	159.00	0.15	158.77	3.22	8.12	15 yrs	6.44	6.46	7.96	6.54	6.58	7.94	6.56	6.57	7.95
3 Over 15 years (4)	187.87	0.45	187.03	8.02	9.77	20 yrs	6.44	8.48	8.07	6.57	8.61	8.04	6.56	6,57	8.04
4 Irredeemables (4)	226.58	0.33	225.84	3.68	9.50	fred.t	5.69	6.71	B.06						
5 Af MOCKS (48)	151.14	0.16	150.90	2.79	8.62	,	_,	,		•		•		:	٠.
Index-linked								Mation &		0		Sep 2	0% — 9 Yr. ac	ю .	
S Up to S years (2)	209.38	0.15	209.07	0.84	5.22	Up to 5 yrs	3.2	3 3.27	7 2.86		2.53				· ·
7 Over 5 years (10)	207.98	0.24	207.47	1.49	4.70	Over 5 yrs	3.3				3.11				
9 All atocks (12)	207.03	0.23	206.58	1.42	4.72		-	_	-		. ,0.11	- 0.10			<del>-</del>

	•	•	
		'	
FT Fixed Interest Indices			
I I DOU HITCHOST HAIDES			
C4- 00 C 00 D 00 D 00 D 04 H 11	4	The second of the second	•

FI FIXEG ITT				6 Sen 2	5 Sec 24	4 Yr mgc	Hinto	Low					en	Seri N	. San '		ne b			High	
Govt. Sees. (UK) © FTSE Internetional completion: 133,87	100.08 Ltd 199 21/01/64	90.9 7. All ri 9. low l	5 100.2	99.7	99.64	94.00	100.28	93.31	-	mplation of Flags	- 197 4	13	0.45	130.39	130.8	2 130.	17 19	0.26	114.06	130.8	2-1.15.8
Nois	s 100	Yold Fled	Page E + G	r- High	Low		Note		Yinki Red	2 colf	+01~			•		Hotes	. <u>m</u>	Yeld_	Price E .	+07-	
Shorts** (Linux up to Five Trans 8 Apr. 1997±‡ Each 1 Spc 1997 Those 4 apr. 1998±‡	8,75	6.76 6.75	1157-	102½ -¼ 109¾ 115½	100 C	weding 31/2000 Jan 91/200 20 Jan 91/200 20	004 004 11	E 651			+10	1177 1024 1224	9453	23anc	799	(1.2) (7.2)	1.14	12	2 187 2 191 H	**	-167 371 1915 19

UK GILTS		, 5				-		-					-			
Holes	id	Fled	Price E	+ <b>a</b> -	521 High	Low	Holes	- E	Yink! Red	Pilco S	+07~	_ 52 :	Low	Notes (1)	(2) Price E. + or	- 100 Law
Shorts" (Lines up to Fire )	lear-6						Funding 31 <sub>200</sub> : 1999-4	190	5.92	891	+8	854		Index Children		
Trans 8 June 1997##	8.75	-	100		1026	100		813	6.48		73	1174	827 <sub>0</sub>	The second secon	2.12 187	187 1784
Each 15cc 1997	14.92	6.76	10013	7		10013		. 6.63	6.45		+3			7'oir 01		
Tiese Page 199811	4.00	6.7E	1155		1155	17.1		8.03	6.50		+4	1223			3.25 USW	2 100G 100G
Parts 94-oc 1988	9.65	5.94	1003		1044	180 &		8.45	8.55			124				
Traes 71/4 pc 199811	7.24		001-01		104.5	100		9.B4	5.54	1201	+4	1304				上,127日 1173
Texas 151-200 19842	14.25	7.19	108		1175	108		7.54	6.45		44	111				2-200 185 185 185 185 185 185 185 185 185 185
Both 12ce 1998	11.41	7.11	1054	_	1113	1052		790	6.51	1227		1222		21-pe 71		
Trace 8 200 199911	9.23	7.11	1027		1065	975		7.51	6.46	1071	+4		1134			7 1882 1754
Trans Filip Rate 1959##		7	1007		1002	25		7.15	2.50		+6		B.4			5-136 144A
Each 12 Lac 1999	11.43	7.87	1074		113%		Trees Boc 2002-Gtt	757		1054216	4	100				187H 153
These 10 <sup>1</sup> -Jac 7996	9.90	7.00	1054	-1		1011	Trial 11 Lpc 2003-7	15	6.17	1223		105		2200 20 210 3.19		A 1814 1464
Tres 8xt 1909 ##	6.09	6.30	95.55	-32	997		Trees 8120c 2007 #	7.44	£51	1142	-4	1254	175			4 139E 127
Cary 104pc 1999	9.64	7,92	10513		110%	196	Trees 74-pt. 2007:15	5.84	644	1052	+4	TAB	1054	41 <sub>e</sub> pe 30‡‡(135.1) . 3.20	3.84 13113 +	4 152 1198
Trace 81-50: 2000	8.22	6.90	10324	7		10216		9.97	6.09	13543	+4	106	185	Prospective real reclarability rai	e on projected	integion of (1)-
Com Sec 2000#	8.60	6.85	1044					7.53	8.49	11542	-À		ISI 4	10% and (2) 5%. (b) Figures in	or witheres she	
Tees 13ec 2000	11.29	6.86	115.2	-3	120%			7.12	6.30		- 10	1183	TUSH	incleding (in S mortes prior to le		
Trees 14oc 1998-1	12.43	7.08	104.6		11113		Trace 64 pt 2010#	8.43	6.57	1123		112		reflect rebusing of RPI to 100		
Trues 85¢ 2000±±	7.72	6.72	103.3	<u>_</u>	10443	102		7.50	6.67	978.	+4	_77	253	factor 3.945. RPI for January 19	17: 1544 and \$	- Account 1997:
Trans Filip Rate 2001	7.42	-	100.7		100.2		Total 900 201211	734		1214		1314	1081	156.5	7. 1. 2. 2. 1. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2.	
Trace 100c 2001	8.71	6.72	20083	-3	1126			8.03	643	813		246	100	7 - 7		*
Com 9'20" 700111	8.72	6.78	10083	1			Trees 7 sec 2012-1955	7.04	8.63	110-	4	110	751			
Char 9 Loc 20019	Ш	6.75	1057	7	109Å	1087	tion t die mir-laffer	1002	2.00	110-8	* ***	1 10	-		574 Y 127	• • • • • • • • • • • • • • • • • • • •
Tax 7x 2001 11	6.90	1.72	10143	- 3	1018	20.										T. 5
Data 12st 1989-24	11.33	7.13	1053		100.1	1057					٠.	٠. ٠				tere e <del>ti</del> te e e
Com 10cc 20cc	8.62	133	1137	-4	11343	1000	Our Filters Years				-					
Trees 7pc 2002##	6.55	14	102		1021	171	Trees Bog 201365	7.01	6,60	1135	+2	117	1004	Other Fixed Interes	A 17 16 1	
uses the saddle for	440	9-70	12.4	-24	10.2	20,52	Treat Box 2015##	6.94	6.50	115.	4	1157	1004	Other Fixed interes		
							Trans 8 kpc 2017±±	7.00	8.60	T2342	+12	1232	103			
							5-ch 12pc 2019-17	7.89	6.70	152	+1	123夏	135		1_7. 7. 4.5	- 2 week "
							7mm 8pc 2021##	5.81	6,54	1174	+12	1177	1007	Plates 128	led · Pace £ + or-	
How to Hillman Yours											- 7-			The state of the state of		
Com 91-0c 2007	8.60	176	1118	–ķ	112 4	1081 <sub>8</sub>	•					٠.		Notice Devi 1074pc 2000 8.17 (	. 125 <u>7.</u>	1253 × 1162

MARKETS REPORT

London foreign exchange

markets yesterday, while the

US dollar and the yen were

day. Traders said sterling

was supported by the state-

ment by Tony Blair, the

prime minister, that the gov-

ernment's policy had not

The pound rose by a pfen-

DM2.853. Overnight buying

had pushed up the pound, but its rally faltered as sell-

Against the dollar, sterling

POUND SPOT FORWARD AGAINST THE PO

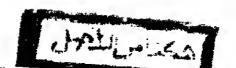
was virtually unchanged by

changed.

DM2.86 level.

rates and economic news.

By Richard Adams



AN PROPERTY 1997

The same of the sa West of the second W. Street THE METERS OF THE PARTY OF THE Strain Strain Separate Sep Established and the track Parties of the Control of the Contro Park Marketon

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E TAKE TO . . .

Bank of Ireland 7.00 Bank of Scotland 7.00 Billionen Shiptey & Co. Ltd 7.00 7.00 Cypnus Popular Bank 7.00

Financial & Gen Bank 8.00 @Guinness Mahon 7.00 Hebb Bank AG Zurich 7.00 Heritable & Gen Inv Bk.7.00 Honglong & Shanghel 7.00 invested Bank (UK) Ltd7.00 Claspoid Joseph & Sons 7.00 7.00 Royal 5k of Scotland 7.00 Scotlish Widows Bank 7.00

BASE LENDING RATES

E MONTH STERLING FUTURES (LEFT) 2500,000 points of 100%

+0.02 82.59 +0.02 82.56 -0.03 82.73 -0.04 92.92

92.58 92.53 92.55 92.69 92.88

Urity Trust Bank Pic 7.00 Whitemay Laidlaw 7.00

Little action keeps markets awake the close of trading in London, at \$1.615.

economic performance in the European monetary union region undermined further mittee meeting also kept the and the South-east Asian the struggling South-east currency crists provided at least some action on the ringgit, the Indonesian report on business condirupiah and the Philippine peso all scraped new lows becalmed awaiting interest trading, after domestic companies there bought dollars Sterling retraced another to hedge their currency step against the D-Mark exposures. The Thai baht. since its steep fall last Frihowever, made a slight

The D-Mark fell early in European trading, after the Bundesbank again left its securities repurchase rate fixed at 3 per cent. The bank last changed the repo rate on nig against the D-Mark, to 22 August 1996.

The dollar was quiet as

ers entered the market when the rate was around the 1.8155 1,6100 1,8079 1,8039 1,5886

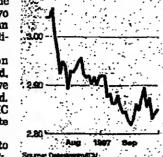
traders in New York awaited the Federal Reserve's deci-In Asia, news of weaker sion on interest rates. The Pederal Open Markets Comven sedate while in Tokyo

tions was to be released. There was little reaction against the US dollar during in New York when the Fed. as expected, voted to leave US interest rates unchanged. The decision by the FOMC left the Federal Funds rate steady at 5.5 per cent.

The Danish krone failed to move against the D-Mark. despite a new opinion poll in Denmark showing a major-ity supporting ratification of taken on Friday, when the steady at DKr3.808.

■ Sterling traded above insistence that its policy about EMU had not changed. Sterling's rise started on not shifted. Monday, as traders acram-

Sterling Adeinst the D-Mark (DM per C)



the EU's Amsterdam Treaty. pound dropped by six pfen-The krone remained rock nigs against the D-Mark on speculation about a change in Labour's position on early entry to European economic DM2.86 in Europe, boosted and monetary union. But by the UK government's yesterday Mr Blair told the Labour party conference in Brighton that the policy had

Paul Chertkow, head of

DOLLAR SPOT FORWARD

global currency research at lows against the US dollar, UBS in London, said there after domestic companies was likely to be little reward sold down their own currenin selling sterling, unless cies in a rush to cover their short-term money market US dollar exposures. rates are perceived to be

CURRENCIES AND MONEY

about to fall quickly. tern of Italy or Spain regarding Emu, the gilt yields will be the main area of converrency later.

Yesterday, gilt futures, which had leapt higher on Friday, continued to advance. Mr Chertkow said: "The markets are more

The ringgit, rupiab and Philippine peso all hit new

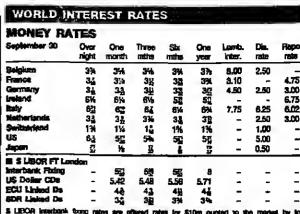
SOTHER CURRENCIES

Sep 30 £ \$
Cascin Ry 52,9203 - 53,0112 32,7680 - 32,8080
Husgary 315,654 - 315,291 195,080 - 195,130
Iran 4847,40 - 4845,00 3000,00 - 3000.00
Numair 0.4816 - 0.4916 0.3044 - 0.3044
Potand 5.5176 - 5.5285 3.4185 - 3,4215
Ressia 9460,67 - 9468,97 5858 00 - 5869,00
UAE 5.5311 - 5.9348 3,6725 - 3,6730

The ringgit suffered the most. The ringgit dived to a If the UK follows the pat- record low of M\$3.25, before ending Asian trading at M\$3.2450 from Monday's close of M\$3.1950. The Malaygence, followed by the cur- sian currency has dropped 29 per cent against the US dollar since July 1, a day before Thailand effectively deval-

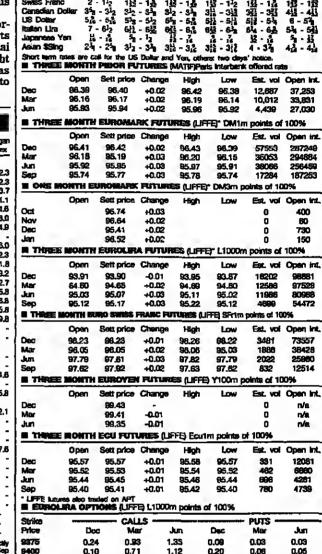
ued its currency. The rupiah dropped to a low of Rp3,295 against the likely to play gilts than the US dollar, from Monday's close of Rp3,195, before ending at Rp3,270. The peso sank to a record low of 34.38 pesos and closed at 34.32 pesos from the previous day's 33.99.

> But some optimistic foreign reserves and exports figures released by the Thai central bank helped the baht to buck the trend. It was quoted at Bt36.20-Bt36.40 to the dollar.

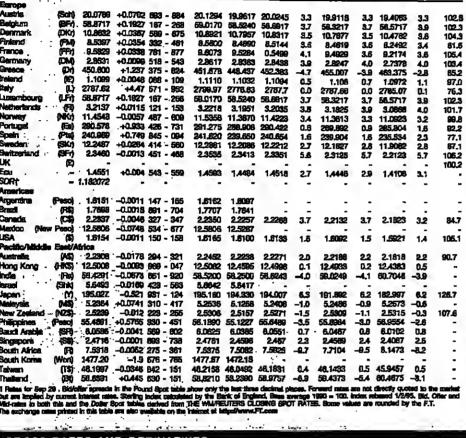


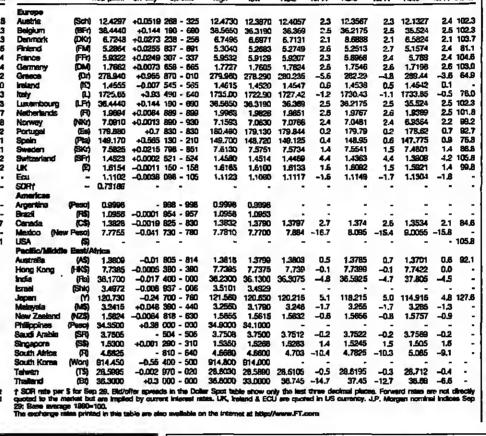
S LIBOR Interbank from rates reference banks at 11pm earts

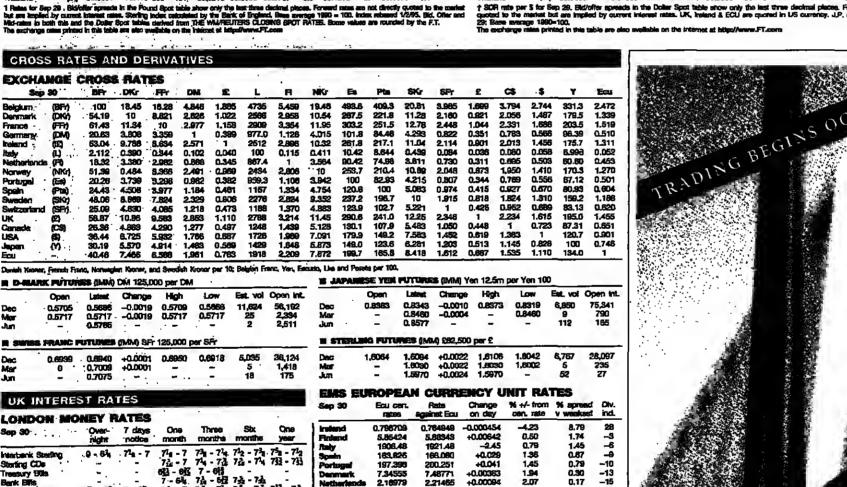
EURÓ CU Seo 30						-
	Short	7 days notice	One month	Three months	Six	year One
Belgian Franc	312 - 32	312 - 343	311 - 313	312 - 313	353 - 352	3 <del>1</del> 3 - 31
Denish Krone	3년 - 3년		316 - 313	38 - 34	316 - 312	47 - 4
German Mark	34 - 3	34 - 31	34 - 35	313 - 34	343 - 33	31 - 31
Dutch Guilder	31 31		3/2 - 31	374 - 374	35 - 312	34 . 3
French Franc	31, 31,	3/3 - 3/2				31. 3
Portuguese Esc.			513 - 33	54 - 54	54 - 42	5 - 4
Spanish Peseta			56 - 58	54 54	56 - 5	483 - 4
Sterfing	74 - 74		74 - 74			713 - 7
Swiss Franc	2 - 112			143 - 12		13 - 13
Canadian Dollar		312 - 31		312 - 313	333 - 333	44 4
US Dotter	5.6 - 5.2	53a - 54a	55g - 52	512 - 512	512 - 54	6 - 54
Italian Lira	7 - 632	633 - 617	643 - 64	613 - 6-2	64 - 62	54 5
Japantee Yen	H - 12	5 . 12	11 - 74	9 7	12 - 14	3
Asian \$3ing	23 23	312 - 34	312 - 32	312 - 312	4 - 3%	43 4



Jun







		5.88343	10,00642		1./4	
Raily	1906.48	1921.48	-2.45	0.79	1.45	-6
South	183,826	166,060	+0.029	1.36	0.87	-8
Portugal	197.398	200.251	+0.041	1,45	0.79	-10
Denmark	7.34555	7.48771	+0.00383	1.94	0.30	-13
Netherlands	2.16979	2.21465	+0.00084	2.07	0.17	-15
Germany	1.82578	1.98612	+0.00051	2.10	0.14	-21
Austria	13.5485	13.8368	+0.0046	2.13	0.11	-16
Belgium	39,7191	40.5744	+0.0121	2.15	0.09	-15
France	8.45863	8.60354	+0.00257	2.24	0.00	-19
NON ERM ME	MBERS					
Greece	295,260	310.728	+0.017	5.24	-2.84	-
UK Bay control rates (	0.793103	0.689561		-13.05	17.59	-
central rate. 17/9/						
PHILADE	LPHIA SE	L/S OPTION	S 231,250 (c	cents per p	ound)	
	PHIA SE	CALLS -			PUTS -	
Strike	Oct	<u> </u>	B 231,250 (c	Oct	PUTS -	Dec
Strike Price		CALLS -		Oct 0.56	PUTS	Dec 2.33
Strike Price 1,600	Oct	CALLS -	Deo	Oct	PUTS	Dec 2.33 2.76
Strike Price 1,600 1,510	Oct 1.86	CALLS Nov 2.77	Dec 3.19	Oct 0.56	PUTS	Dec 2.33
Strike Price 1,600 1,610 1,620	Oct 1.86 1.23 0.73	CALLS	Dec 3.19 2.68 2.26	Oct 0.58 0.93 1.48	PUTS	Dec 2.33 2.76
Strike Price 1,600 1,610 1,620 Previous day's v	Oct 1.86 1.23 0.73 ol., Calls 0 Pc	CALLS	Dec 3.19 2.66 2.26 ye open int. (	Oet 0.58 0.93 1.48 285 25,113	PUTS	Dec 2.33 2.76
Strike Price 1,600 1,510 1,620 Previous day's v	Oct 1.86 1.23 0.73 ol., Calls 0 Pc	CALLS — Nov 2.77 2.27 1.62 in 0 , Prev. da	Dec 3.19 2.66 2.26 ye open int. (	Oct 0.56 0.93 1.48 cats 25,113	PUTS	2.33 2.76 3.32
Strike Price 1,600 1,610 1,620 Previous day's v	Oct 1.86 1.23 0.73 ol., Calls 0 Pc	CALLS — Nov 2.77 2.27 1.52 10 0 . Prev. da	Dec 3.19 2.68 2.26 ye open int. (	Oct 0.56 0.93 1.48 285 25,113	PUTS	Dec 2.33 2.76
Strike Price 1,600 1,610 1,620 Previous day's v m PHELADISI Strike	Oct 1.86 1.23 0.73 ol, Call 0 Po	CALLS — Nov 2.77 2.27 1.52 10 0 . Prev. de	Dec 3.19 2.68 2.26 2.26 y's open int. (	Oct 0.58 0.93 1.48 Cats 25,113 M62,500 (5	PLITS Nov 1.74 2.19 2.70 Prim 22,185 per DM) PLITS Nov 0.45	Dec 2.33 2.76 3.32 Dec 0.60
Strike Price 1.600 1.510 1.600 Previous day's v p. PHELADIGE Strike Price 0.560	Oct 1.86 1.23 0.73 ot, Calls 0 Pt.	CALLS — Nov 2.77 2.27 1.62 an U. Prev. da CALLS — Nov	Dec 9.19 2.68 2.26 2.26 y/s open int. (	Oct 0.56 0.93 1.48 Cals 25,113 M62,500 (5 0.16 0.90	PUTS	Dec 2.33 2.76 3.32 Dec
Strike Price 1,600 1,510 1,510 1,510 1,510 Previous day's v previous day's	Oct 1.86 1.23 0.73 ot., Call 0 P. DPEA SE I	CALLS — Nov 2.77 2.27 1.52 ain U. Prev. da 2.48APRICES — Nov 1.57	Dec 3.19 2.68 2.26 y/s open int. (Copyriobits D	Oct 0.58 0.93 1.48 Cats 25,113 M62,500 (5	PLITS Nov 1.74 2.19 2.70 Prim 22,185 per DM) PLITS Nov 0.45	Dec 2.33 2.76 3.32 Dec 0.60
Strike Price 1,600 1,610 1,620 Previous day's v	Oct 1.86 1.23 0.73 ol., Calls 0 P. DEA SE I Oct 0.97 0.62 0.36	CALLS — Nov 2.77 2.27 1.52 as U. Prev. da	Dec 3.19 2.68 2.68 2.86 y/s open int. COPTIONS D	Oct 0.56 0.93 1.48 Cabs 25,113 M62,500 (5 0.16 0.90 0.62	PLITS — Nov 1.74 2.19 2.70 Print 23,185 per DM) PLITS — Nov 0.45 0.63 0.84	Dec 2.33 2.76 3.32 Dec 0.50 0.79 1.02
Strike Price 1,600 1,510 1,510 1,510 Previous day's w m PHELADES Strike Price 0,565 0,570	Oct 1.86 1.23 0.73 ol., Calls 0 P. DEA SE I Oct 0.97 0.62 0.36	CALLS — Nov 2.77 2.27 1.52 as U. Prev. da	Dec 3.19 2.68 2.68 2.86 y/s open int. COPTIONS D	Oct 0.58 0.93 1.48 Cals 25,113 M62,500 (5 0.16 0.90 0.62	PLITS — Nov 1.74 2.19 2.70 Print 23,185 per DM) PLITS — Nov 0.45 0.63 0.84	Dec 2.33 2.76 3.32 Dec 0.50 0.79 1.02

	Open	Lete	at Cha	ange	High	Low	Est voi	Open int.
Dec	94,17	94.1	18 -0	.01	94,18	94.18	37,428	580,553
Mer	94.11	94.1	0 -0	.01	94.12	94.09	34,556	402,178
Jun	94.03	94.0	)1 <b>-</b> 0	.01	84.04	94,00	28,875	314,323
m UST	REASUR	BILL P	STURE	(MM)	\$1m per	100%		
Dec	_	94.9	9 .		95.00	94.97	436	4,850
Mar	_	94.5	99 +0	.01	-	84.98	145	3,204
	interest figs.	. Are tor p	americus di	4				
	DMARK O		A 1000	A		100%		
	OHARK O			_	JUANS C			
	OHARK O		CALLS .				PUTS -	14-
Strike	Oct			_	00	Nov	Dec	Mer
Strike Price			CALLS .	Mar 0.29	0	Nov 0	Dec 0.01	0.10
Strike Price 9800	Oct	Nov	CALLS -	Mar 0.29 0.12	Oc.	0 0.02	0.01 0.04	0.10 0.18
Strike Price 9800 9625	Oct 0.42	Nov 0,42	Dec 0.43 0.21 0.05	Mar 0.29 0.12 0.03	Oc. 0 0.01 0.08	0.02 0.11	0.01 0.04 0.13	0.10 0.18 0.34
Strike Price 9600 9625 9650	Oct 0.42 0.19	Nov 0.42 0.10	Dec 0.43 0.21	0.29 0.12 0.03 0.01	0.01 0.01 0.08	0 0.02 0.11 0.33	0.01 0.04 0.13 0.34	0.10 0.18 0.34 0.57
Strike Price 9800 9625 9650 9675	Oct 0.42 0.19 0.01	Nov 0,42 0,10 0,03 0	CALLS - Dec 0.43 0.21 0.05 0.01	0.29 0.12 0.03 0.01	0.01 0.01 0.08 0.33	0.02 0.11 0.33 0.58	0.01 0.04 0.13 0.34 0.58	0.10 0.18 0.34 0.57 0.81
Strikes Prices 9800 9825 9850 9875 8770	0.42 0.19 0.01 0	Nov 6,42 0.10 0.03 0	0.43 0.21 0.05 0.01 0	Mar 0.29 0.12 0.03 0.01	0.01 0.01 0.08 0.33 0.58	0 0.02 0.011 0.33 0.58 0.58	0.01 0.04 0.13 0.34 0.58 959094 Puss f 100%,	0.10 0.18 0.34 0.57 0.81
Strikes Price 9800 9625 9650 9675 97700 Bat. vol. 18	Oct 0.42 0.19 0.01 0	Nov 0,42 0,10 0,03 0 0 0 062 Puts	0.43 0.21 0.05 0.01 0	Mar 0.29 0.12 0.03 0.01	000 0.01 0.08 0.33 0.58 y's open	0.02 0.011 0.33 0.58 10.58	Dec 0.01 0.04 0.13 0.34 0.58 93094 Puts f 100%,	0.10 0.18 0.34 0.57 0.81 280065
Strike Price 9800 9825 9850 9675 9700 Est. vol. 18 18 183/84	Oct 0.42 0.19 0.01 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Nov 0,42 0,10 0,03 0 0 0 062 Puts	0.43 0.21 0.05 0.01 0 1700. Pre	Mar 0.29 0.12 0.03 0.01	0 0.01 0.00 0.33 0.58 y's open	0 0.02 0.011 0.33 0.58 0.58	0.01 0.04 0.13 0.34 0.58 959094 Puss f 100%,	0.10 0.18 0.34 0.57 0.81 282965
Strike Price 9800 9825 9850 9675 9700 Est. vol. 1	Oct 0.42 0.19 0.01 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Nov 0,42 0,10 0,03 0 0 0 0052 Puts FRANC	0.43 0.21 0.05 0.01 0 1700. Pro	Mar 0.29 0.12 0.03 0.01 0	0.01 0.01 0.08 0.33 0.58 0.58 71 open	0.02 0.011 0.33 0.58 10.58	Dec 0.01 0.04 0.13 0.34 0.58 93094 Puts f 100%,	0.10 0.18 0.34 0.57 0.81



ANNOUNCING THE CBOT' DOW JONES INDUSTRIAL AVERAGE FUTURES AND FUTURES OPTIONS CONTRACTS.

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Chicago Board of Trade

By Clay Harris

central Asian country.

UK company which will sup-

ply and operate the meat

The first task would be to

establish local hygienic food distribution, but Malaysia

had already expressed strong

interest in buying Mongolian

meat, according to Hugh

Fullerton-Smith, chairman

to export meat to the Euro-

ambassador in Brussels, Mr.

abattoir was an ideal soln-

tion to solve the transport

The initial project involves

Bayan Olgii Aimag, Mongo-

lia's most remote province.

1,600km west of Ulan Bator,

the capital. Malaysia is

believed to be especially

the local people are ethnic

Kazakhs, well practised in

halal methods of slaughter.

encompasses horsemeat as

well as sheep, Mr Hanibal

said, and the abattoirs will

be able to process goats, also

kept in large numbers, and

larger stock. Mr Fullerton-

modate yaks very easily."

tion rather than export.

Mongolia's EU application

times the size of France.

Mongolia yesterday for-

of All-Terrain Logistics.

sheep carcasses.

Mongolia mobilises for

meat exports

### COMMODITIES AND AGRICULTURE

# Sharp drop in LME zinc prices

MARKETS REPORT

By Kenneth Gooding in London and Nikki Tait in Chicago

Zinc prices on the London Metal Exchange dropped sharply yesterday, leading some traders to suggested that the squeeze that has gripped the market for three months and made normal trading virtually impossible was finally coming to an

The price of zinc for delivery in three months lost 6 per cent of its value, or \$86 a topne, to reach \$1,344 a tonne, while zinc for immediate delivery dropped 10 per cent. The premium for zinc for immediate delivery, compared with threemonth metal, fell to \$60-\$70 a tonne

compared with \$180 on Monday. ther signs that the LME management had run out of patience with the squeeze - David King, chief executive, made an unexpected appearance on the trading floor during the official session yesterday.

This followed last Friday's announcement by the LME authorities that it would require some members to provide details of their zinc futures and options positions, and those of their clients, from today.

There was speculation that this requirement had put more pressure on western traders with zinc available to do deals with Chinese smelters, which are short of the metal. Traders said there were signs that

arrangements were being made off

Traders suggested there were fur- that further downward pressure on ended the day in London at a sixzinc prices is likely. The backwarda- month high of \$5.23 an ounce, up 22 tion [premium] could disappear com- cents. pletely. Increasing concerns about high Chinese exports and weaker the US Department of Agriculture Asian demand may cause a sent soyabean futures lower on the short-term panic," warned Adam Chicago Board of Trade yesterday.

> Deutsche Morgan Grenfell said: tract easing by just over four cents, "Zinc is on a rollercoaster and this is to \$6.34. one of the downs. The key thing to watch for is if three-month prices can hold between \$1,350 and \$1,400 a

of Australia.

in London at \$332.20 a troy ounce, up lower than expected, but the antici-\$5.40. Dealers said gold was being pated size of the US harvest

the market this week. "Wa think prices in the silver market. Silver

Quarterly grain stocks data from Rowley, analyst at Macquarie Bank morning, with the November contract losing about three cents, to However, Alan Williamson at \$6.24 a bushel, and the March con-

Corn futures were largely unchanged, but the December wheat contract slipped 41/2 cents to \$3.54 a bushel. In contrast to soyabeans, the Gold's rally continued as it closed USDA figure for wheat stocks was helped by sentiment and rising reinforced the bearish sentiment.

# Amax Gold joins FT gold mine index

By Kenneth Gooding. Mining Correspondent

Amax Gold, the Denverbased company whose gold output is set to more than double this year, is to be included in the Financial Times Gold Mines Index from today.

The company has added three new mines to its operations, which are scheduled to boost production from 268,300 ounces last year to nearly 700,000 ounces in 1997.

Amex completed construc-tion of its wholly-owned Fort Knox mine in Alaska last year, as well as the Refugio mine in northern Chile, in which it has a 50 per cent interest. In June this year it bought 50 per cent of the Knbaka gold mine in Russia from Cyprus Amax Minerals, the US copper and coal group.

Kubaka was paid for in shares and Cyprus's stake in Amax rose to 59 per cent." Fort Knox duced its first gold last December, and the mine is expected to have an output of 300,000 ounces

this year. Refugio started commercial production last October and was scheduled to produce 125,000 ounces this year. Howsver, the mine. 14,000 feet up in the Andes, suffered freak weather and operations were suspended for several weeks.

Kubaka produced its first gold early this year and is expected to produce 96,000 ounces in 1997.

In the first half of this year, the new mines helped Amex reduce average cash costs from \$288 to \$209 an ounce, and total costs from \$406 to \$342 an ounce. Amax reported a net loss

of \$10.8m, or 14 cents a share, for the six months, on revenues of \$111.7m, against a net loss of \$11.3m, or 15 cents, on revenues of \$51.2m countries Germany's Wieland-Werke. a year earlier.

"The trick is to slaughter the animals in peak condition in a humane manner."

Mongolia hopes to become a Bayan Olgii's only abatsignificant meat exporter, toirs are slaughterhouses thanks to a mobile slaughbuilt to old Russian designs. terhouse that will take the for export to Siberia. In abattoir to the animals on recent years, however, this the remote steppes of the trade has dwindled to ad hoc

An initial project, cross-border barter.
announced yesterday by a . Another disadvantage is that flocks often arrive for slaughter in poor condition processing system, will have after being driven over great an annual capacity of 85,000 distances. ...

The collapse of cashmere prices also meant that goatherds in the province held their flocks back from market, increasing pressure on the environment.

Political impetus for change came last winter after a severe snowstorm wiped out a quarter of the province's herds.

mally applied for permission. The mobile abattoir, built pean Union, according to Hanibal, the country's to EU and US standards. should cut the maximum distance to slaughter to Hanibal said tha mobile 200km, one-quarter of the journey now sometimes necessary. Mr Fullerton-Smith problems in a country three

ATL's \$8.1m contract with Sergen Mandalt Corporation, a Mongolian meat and skins company, includes supervising operation of the system for 18 months, training local people and introducing a interested in buying meat wool improvement

from Bayan Olgii because programme. The project is also designed to provide social support for the nomadic communities, supplying a mobile surgery and dental unit and an all-terrain ambulance. The European Investment Bank is expected to provide partial funding for the project.

Smith said: "We can accom-The abattoir and specialised vehicles are supplied although for local consumpby Sandstroms Transportprodukter, a Swedish com-The potential world marpany which gained its experket for ecologically raised tise in the remote meat was enormous, he said. slaughtering of reindeer.

75

· 在二二元 写二

### Euro causes headaches for copper groups By Charles Batchelor, be needed, according to Transport Correspondent KME. This amounts to nearly half Europe's annual copper rolling mill capacity of 650,000 tonnes, although

The planned launch of the single European currency on January 1 1999 is causing headaches for companies that make the copper that will go into the new euro coins or will be used to plate 65 per cent of the coins will

Germany, France, Italy and Spain are expected to require 200,000 tounes of coins between them to replace existing money.

If all the other potential member countries join the single currency, a further 150,000 tonnes of coins will be needed, according to estimates by KM Europa Metal, the German-French-Italian grouping which is the world's largest processor of

copper and copper alloys. Allowing for the fact that smaller denomination coins of 1, 2 and 5 cents will be steel, plated with copper, while the 1 and 2 euros will also contain nickel, a total of 300,000 tormes of copper will

delivery will be spread out over several years starting in June 1998. By June 2001. have been delivered.

But the copper suppliers' problems do not end with meeting this sudden rush for coin "blanks". They must also find a safe home for the national currencies handed in for melting down.

They are used to storing scrap copper, because the metal's relatively high cost means as much as 50 per cent is recovered and recycled. But scrap pipes do not

find a secure way of storing the thousands of tonnes of coins which are returned. "The scrap store is not



have the ready market value If all potential members join the single currency, 350,000 tonnes of coins will be needed

The manufacturers must Christoph Geyer, head of marketing at KME. Finding a safer location

It is unprecedented for changing one or two coms. several countries to change while the scrap coins are same time. Usually, the waiting to be melted down usually the most secure loca- could be expensive, the coption at the factory," says per companies warn. individual

The European Commission their entire comage at the . is expected to spread orders for the metal among the manufacturers are only main suppliers: KM Europa, called on to cope with Outokumpu, of Finland, and

#### COMMODITIES PRICES BASE METALS LONDON METAL EXCHANGE

(Prices from Amelgameted Metal Trading) M ALUMINIUM, 99.7 PURITY (5 per tonne) 1640-41

High/low		1644/1632
AM Official	1632.5-33.0	1637-38
Kerb close		1843-4
Open int.	253,972	
Total daily turnover		
E ALUMINIUM AL	LOY (5 per to	nne)
Close	1425-30	1455-7
Previous	1430-35	1460-65
High/low		1455/1454
AM Official	1425-30	1454-55
Kerb close		1460-70
Open int.	5,323	
Total daily turnover	839	
■ LEAD (\$ per ton	rve)	
Close	B40-5.1.5	645-6
Previous	646-48	650-52
High/low		649/843
AM Official	641.5-42.5	645-46
Kerb close		643-4
Open int.	31,518	
Total daily turnover	8,228	
■ NICKEL (S per t	brine)	
Close	6770-80	6860-70
Previous	6950-60	7040-50
High/low		7000/6840
AM Official	6840-45	6935-40
Kerb close		6860-70
Open Int.	51,702	

Clase Previous	6770-80 6950-60	6860-70 7040-50
High/low AM Official	6840-45	7000/6840 6935-40
Kerb close		6860-70
Open Int. Total daily turnover	51,702 37,489	
TIN (5 per torne)		
Close	5635-40	5675-80
Previous	5640-50	5680-90
High/low AM Official		5740/5880
Kerb close	5635-40	5675-80 5660-70
Open int.	18,570	5000-10
Total daily turnover	3,980	
ZINC, special his	gh grade (\$	per tonne)
Close	1435-B	1357-8
Previous	1804-08	1424-25
High/low	1455	1429/1345
AM Official Kerb close	1455-56	1357-58 1350-51
Open Int.	82,386	1330-31
Total daily turnover	62,809	
M COPPER, grade	A (5 per tons	ne)
-		

Kerb close	213	3
Open Int. 1	49.921	
Total delly turnover	76,510	
LIME AM Official S	\$ rate: 1.6137 ths: 1.6135	
Spot: 1.6125 3 mile: 1.6066 6 i	alba: 1.5014 9 mbs: 1	5

	Sett	Day's				Coes
		Charge		Low	Vol	
4	95.85	-2.40	98.20	95.65	1,304	3.201
w		-2.55		95,60		1.946
10		-2.45		\$4.90	21,247	
		-2.35		96.40		1,000
•	97,00	-2.15	99.25	99.10		1,079
ar Ital	97.00	-200	89.15	96.00		4,927

2147-48

2181/2110

PRECIOUS METALS

Prices supplied			
Gold(Troy oz) Close Opening	\$ price 332.60-333	30	SFr equiv
Morning fix Afternoon fix	328.75 332.10	203.560 205.873	478.331 482.673
Day's High Day's Low	328.00-328	30	
Previous close Loco Lda Me 1 month	an Gold L	ending Rute	
2 months	3.38		

320.25 324.30 328.55 516.75 521.35 526.30 536.40

337.20

**Gold Coins** 

Precious Metals continued ■ GOLD COMEX (100 Troy az.; \$/troy az.)

	<b>Price</b>	Cian ye	1990	7	10	
Oct	334.3	+6.2	335.0	326.0	2,330	3.99
HOY	335.3	+5.5	-	-	_	
Dec	336.9		337.9	330.0	35,214	115.0
Feb	338.2	+6.4	339.5	331.4	1,199	15,884
Aur	340.0	+6.4	341.6			5,825
Jue	342.0	+6.5	342.5	339.5	77	8,851
Total						197,612
E PL	MUNITA	NYME	X (50	Troy o	L; S/tro	y oz.)
Oct	431.2	+3.5	433.0	428.5	3,596	5,725
Jan	427.0	+5.8	427.5	420.3	2,441	7,374
Apr	419.5	+7.8	417.0	417.0	113	738
Jul	415.5	+7.8	-	-	_	3
Total					7,414	13,933
<b>PA</b>	LADIU	M NYM	EX (10	) Tray (	02.; \$/b	oy oc.)
Dec	193.90	-2.75	197.50	193.00	295	3,360
No.		-2,75			14	340
Jan	189.40	-2.75	-	193.50		108
Total					309	3,808
<b>SIL</b> ;	VER CO	MEX (5)	000 Tro	y 02; C	ents/bo	(QZ.)
0ct		+122	525.0	520.0	-	_
Hor		+127	-	-	_	-
Dec		+12.7			45.279	
Jen		+127		528.0	-	23
Mar		+129			1,041	
Market .			R42 0	534.0	50	3,266
May	533.4	+129	J-42.0	~~~		
May	533.4	+129	J-22.0	<b>0.740</b>		98,894
May Total	533.4	+129	J-20	w		

CRUDE OIL NYMEX (1,000 barrels. \$/barrel)

W KC	21.32 21.22	+0.06 +0.05	21,48 21,38	21.15 21.05	71,233 42,835	96,319 74,869
		+0.06				
Ċ		+0.04				
27		₩0.08				
×	20.98	+0.07	21.00			
					160,775	415,352
CR	UDE O	LIPE	/рате	)		
		Day's change	Rinh	Low	Vol	Open
			-			
W		+0.15			17,379	
PC		+0.19			10,004	
	20.03	+0.20	20.04	19.75	3.063	26.327

Juc .	20.10	+0.19	20.11	19.80	10,004	34,965
aua .	20.03	+0.20	20.04	19.75	3,053	25,32
eb	19.92	+0.17	19.92	19.68	981	9.581
Ber	19.78	+0.12	19.80		801	
lpr Intal		+0.03			56	
HE	ATING (	Day's	EX (42,0	100 US g	ale; cl	is pale. Oven
		chappy.	Kligh	Low	Val	bst
let .	58.25	+0.03	58.85	57.70	15,484	17.203
lov	59.20	-0.05	59.70		21,201	
ec :	59.95	-0.05	60.40	59.65	7,839	28,825
iana .	60.50	-	60.90	RO 20	4,455	22 149

6	28782	-0.00	60.40	35.03	7,653	20.000
	60.50	-	60.90	60.20	4,456	22,149
b	60.88	+0.25	60.85	60.20	1,283	12,532
	59.80	+0.20	59.95	59.55	291	2,766
					52,010	150,668
GA	S OE, P	E (S/Ion	ne)			
	Latest	Day's	_			Opes
	price	change	15gb	Low	Yal	int
t	180.75	+5.25	101.25	177.25	10,790	19,532
¥	182.25	+5,00	182.75	179.00	0,381	20,387
C	183.50	+4,25	184.00	180.50	2714	16,877
	184.75	+4.25	185.00	161.75	1,887	13,258
					7.79	
6	184.75	+4.25	185.00	182.25	642	7.642

low .	162.25	+5,00	182.75	179.00	0,381	20.3
)ec	183.50	+4.25	184.00	180,50	2,714	16.8
an .	184.75	+4.25	185.00	161.75	1,887	13.2
in the			185.00		642	7,8
	162,50	+4.00	180.50	180.25	20	4,9
otal					21,401	91,1
NA.	TURAL	GAS F	€ (1,000	theres; p	ence per	1mm
lov	13.270	+0.040	13.270	13.270	50	1.2
)ec	158.90	+0.070	15.890	15.890		1,2
otal						11,4
NA'	TURAL	GAS N	YNEX (1	0,000 mg	nBu ; S	ma St
		10 - 10	_	_		

		Day's				Gosca
	in page	change	High	Low	Yes	let.
*	3.190	+0.175	3 190	2,930	40.533	54.858
C	3.260	+0.152	3.250	3,020	12.927	32,716
8	3.215	_	3.215	3.006	8,375	29.052
b	2.850	_	2.850	2.890	3,241	19,069
	2,590	-	2.585	2.470	1,839	12,629
•	2.350	-	2.360	2.270	552	7.800
tel -						232,438

. (	~~~	-	- American		
	Day's charge	Bigh	Low	Vol	Diput:
62.75	-0.38	63.70	62,30	15,408	11,577
60.85	+0.08	61.40	60.40	18,504	38,857
60.15	10.16	60.50	59.70	6,705	15,174
60.05	+0.23	60.30	59.60	2,601	15,195
80.30		60.20	60.20	311	4,583
60.70	-	66.70	60.70	485	- S,637
				45.411	100.00

### GRAINS AND OIL SEEDS ■ WHEAT LIFFE (100 tonnes; € per tonne) Self Day's price change liigh Low

MOT	86.35	+0.35	86.35	85.25	127	2,762
Jaar Mar		+0.25			98	3,011
		+0.25				
May	92.25	+0.25	92.25			1,486
Jul	94.25	+0.25	94.00	93.50		
Total					n/a	
■ W7	JEAT C	ST (5,00	00bu m	in; cent	ABOB :	(lerteux
Dec				354.00		
Mar	368.75	-4.00	374.00	368.00	2,763	25,578
May	376.25	-3.75	380.00	375.25	591	5,118
Joi	377.00 380.00	-3.25	380.00	375.00	1,100	11,123
Sep	380.00	-200	380.75	380.00	10	
Dec	390.00	-4,75	385.00	390.00	35	
Total					15,764	107,453
-	IZE CB	r.5.00	bu mi	n: cente	/56h b	Cortes
		_				_
Doc	257.75	-1.00	259.50	257.50	42,151	94,622
Mar	266.75	-0.75	268.25	266.25	9,367	63,936
May	271.50	-1.00	273.00	27125	7,848	15,968
Jel	275.75	-0.50	277.00	275.50	2,695	27,753
Sep	271.25	_	272.00	270.75	111	2.065
Dec	271.25 271.00	_	271.50	270.25	2,499	17.828
Total					68,734	302 AND
	RLEY L	EEE /	DO too			
		_				
Nov	80.00		80.00	79.50	10	1,075
Jan 1	82.25	+0.25	83.25	<b>51.75</b>	35	784
Mar	84.00	+0.25	53.75	<b>B3.75</b>	-	340
May	85.25	+7.35	-	-	-	23
Tetai					m/n	R/A
SO'	YABEA	NS COT	(5,000b)	u minc ce	miz/600	bushell
	YABEA	_	<u> </u>			
Nov	621.50	-5.50	627.00	620.50	33.202	00.266
Nov	621.50 625.75	-5.50 -5.25	627.00 631.25	620.50 625.00	33,202 1 4,281	00,266 28,466
Nov Jean Mar	621.50 625.75 633.00	-5.50 -5.25 -5.75	627.00 631.25 637.00	620.50 625.00 631.50	33,2021 4,281 1,837	00,266 28,466 12,173
Nov Jean Mar May	621.50 625.75 633.00 641.75	-5.50 -5.25 -5.75 -5.00	627.00 631.25 637.00 644.50	620.50 625.00 631.50 641.00	33,2021 4,281 1,837	00,266 28,466 12,173
Nov Jean Mar May	621.50 625.75 633.00 641.75	-5.50 -5.25 -5.75 -5.00	627.00 631.25 637.00 644.50	620.50 625.00 631.50 641.00	33,202 1 4,281 1,837 1,673 1,023	100,266 28,466 12,173 11,235 10,429
Nov Jan Mar May Jal Ang	621.50 625.75	-5.50 -5.25 -5.75 -5.00	627.00 631.25 637.00 644.50	620.50 625.00 631.50 641.00	33,2021 4,281 1,837 1,673 1,023	100,266 28,456 12,173 11,235 10,429 184
Nov Jean Mar May	621.50 625.75 633.00 641.75	-5.50 -5.25 -5.75 -5.00	627.00 631.25 637.00 644.50	620.50 625.00 631.50 641.00	33,202 1 4,281 1,837 1,673 1,023	100,266 28,456 12,173 11,235 10,429 184
Nov Jear Mar May Jei Ang Total	621.50 625.75 633.00 641.75	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00	627.00 631.25 637.00 644.50 651.50 650.00	620.50 625.00 631.50 641.00 648.00 646.50	33,202 1 4,281 1,837 1,672 1,023 5 62,810	190,266 28,456 12,173 11,235 10,429 184 186,164
Nov Jan Mar May Jal Aug Total	621.50 625.75 633.00 641.75 649.00 646.00	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00	627.00 631.25 637.00 644.50 651.50 650.00	620.50 625.00 631.50 641.09 648.00 646.50	33,2021 4,281 1,837 1,673 1,023 5 62,336 6: Cent	100,266 28,486 12,173 11,235 10,429 184 166,164 (s/lb)
Nov Jean Mar Mar May Jel Aug Total E SO Oct	621.50 625.75 633.00 641.75 649.00 646.00 YABEAI	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 Y Off.	627.00 631.25 637.00 644.50 651.50 650.00 CBT (8	620.50 625.00 631.50 641.09 648.00 646.50	33,202 1 4,281 1,837 1,673 1,023 5 42,319 6: Certi	100,256 28,456 12,173 11,235 10,429 184 166,164 5/(b)
Nov Jean Mar May Jed Aug Total M SO' Det Dec	621.50 625.75 633.00 641.75 649.00 646.00 YABEAI 23.60 23.87	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 +0.24 +0.13	627.00 631.25 637.00 644.50 651.50 650.00 CBT (9	620.50 625.00 631.50 641.09 646.50 0,000ft 23.25 23.57	33,202 1 4,281 1,837 1,673 1,023 5 42,319 6: Certi	100,256 28,456 12,173 11,235 10,429 184 196,164 s/(b) 6,142 55,429
Nov Jear Mar May Jed Ang Total E SO Dec Jan	621.50 625.75 633.00 641.75 649.00 646.00 YABEAI 23.60 23.67 24.05	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 * Off. 0 +0.24 +0.13 +0.09	627.00 631.25 637.00 644.50 651.50 650.00 CBT (6 23.84 24.17 24.36	620.50 625.00 631.50 641.09 646.50 0,000fb 23.25 23.57 23.76	33,202 1 4,281 1,837 1,672 1,023 5 42,819 6: Cert 7,269 9,494 1,177	100,266 28,456 12,173 11,235 10,429 184 186,164 5/1b) 6,142 55,429 15,914
Nov Jean Mar Mar May Jel Ang Total E SO Det Dec Jan Mar	621.50 625.75 633.00 641.75 649.00 646.00 YABEAI 23.60 23.87 24.05 24.22	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 Y Off C +0.13 +0.03 +0.08	627.00 631.25 637.00 644.50 651.50 650.00 CBT (6 23.84 24.17 24.35 24.48	620.50 625.00 631.50 641.09 646.50 0,000fb 23.25 23.57 23.76 23.94	33,202 1 4,281 1,837 1,672 1,023 5 42,819 6: Cert 7,269 9,494 1,177 1,430	100,266 28,456 12,173 11,235 10,429 184 186,164 s/(b) 6,142 55,429 15,914 9,123
Nov Jean Mar Mar May Jel Ang Total M SO' Oct Dec Jan May	621.50 625.75 633.00 641.75 649.00 546.00 7ABEAI 23.60 23.87 24.05 24.22 24.32	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 +0.24 +0.13 +0.09 +0.08 +0.14	627.00 631.25 637.00 644.50 651.50 650.00 CBT (6 23.84 24.17 24.35 24.48 24.55	620.50 625.00 631.50 641.00 646.50 0,000ft 23.25 23.57 23.76 23.94 23.99	33,202 1 4,281 1,837 1,672 1,023 5 42,819 6: Cert 7,269 9,494 1,177 1,430	100,266 28,456 12,173 11,235 10,429 184 186,164 s/(b) 6,142 55,429 15,914 9,123
Nov Jest Mar Mar May Jel Ang Total E SO Det Bec Jen Mar May Jef	621.50 625.75 633.00 641.75 649.00 646.00 YABEAI 23.60 23.87 24.05 24.22	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 Y Off C +0.13 +0.03 +0.08	627.00 631.25 637.00 644.50 651.50 650.00 CBT (6 23.84 24.17 24.35 24.48	620.50 625.00 631.50 641.00 646.50 0,000ft 23.25 23.57 23.76 23.94 23.99	33,2021 4,281 1,837 1,623 1,023 5 42,396 6: Certi 7,269 9,494 1,177 1,430 1,229 472	100,266 28,456 12,173 11,235 10,429 184 166,164 5/lb) 6,142 55,429 15,914 9,123 6,946 5,173
Nov Jean Mar Mar May Jed Aug Total M SO' Oct Dec Jan May Jed Total	621.50 625.75 633.00 641.75 649.00 546.00 7ABEA1 23.60 23.87 24.05 24.22 24.35	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 +0.24 +0.13 +0.09 +0.14 +0.10	627,00 631,25 637,00 644,50 651,50 650,00 CBT (6 23,84 24,17 24,35 24,48 24,55 24,80	620.50 625.00 631.50 641.09 648.00 646.50 0,000fb 23.25 23.57 23.76 23.94 23.99 24.09	33,2021 4,281 1,837 1,672 1,023 5 42,319 6: Cert 7,269 9,494 1,177 1,430 1,229 472 21,107	100.256 28,456 12,173 11,235 10,429 184 186,164 5/(b) 6,142 55,429 15,914 9,123 6,946 5,173 90,500
Nov Jean Mar Mar May Jed Aug Total M SO' Oct Dec Jan May Jed Total	621.50 625.75 633.00 641.75 649.00 546.00 7ABEAI 23.60 23.87 24.05 24.22 24.32	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 +0.24 +0.13 +0.09 +0.14 +0.10	627,00 631,25 637,00 644,50 651,50 650,00 CBT (6 23,84 24,17 24,35 24,48 24,55 24,80	620.50 625.00 631.50 641.09 648.00 646.50 0,000fb 23.25 23.57 23.76 23.94 23.99 24.09	33,2021 4,281 1,837 1,672 1,023 5 42,319 6: Cert 7,269 9,494 1,177 1,430 1,229 472 21,107	100.256 28,456 12,173 11,235 10,429 184 186,164 5/(b) 6,142 55,429 15,914 9,123 6,946 5,173 90,500
Nov Jean Mar Mar May Jei Aug Total  SO' Det Jan Mar May Jei SO' Solution SO'	621.50 625.75 633.00 641.75 649.00 546.00 YABEAI 23.60 23.67 24.05 24.22 24.32 24.33 YABEAI	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 W ORL +0.13 +0.09 +0.14 +0.14 +0.10	827.00 631.25 637.00 654.50 651.50 650.00 CBT (9 23.84 24.35 24.48 24.55 24.80 L CBT	620.50 625.00 631.50 641.09 646.50 0.000fb 23.25 23.57 23.78 23.99 24.09 (100 to	33.202 1 4.281 1,837 1,673 1,023 5 42,819 65 Certif 7,269 9,494 1,177 1,430 1,229 472 21,107 ms; \$/1,0746	(00.256 28,456 12,173 11,235 10,429 184 166,164 5/lb) 6,142 55,429 15,914 9,123 6,946 6,946 9,123 6,946 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6
Nov Jean Mar Mar May Jel Aug Total  SO' Oct Dec Jean Mar May Jef SO' Oct Oct Soc Jean Mar May Jef Oct	621.50 625.75 633.00 641.75 649.00 646.00 YABEAI 23.60 23.67 24.05 24.22 24.32 24.35 YABEAI	-5.50 -5.25 -5.00 -4.75 -5.00 +0.24 +0.13 +0.09 +0.14 +0.10 +0.14 -4.10	827.00 631.25 637.00 644.50 651.50 650.00 CBT (6 23.84 24.17 24.35 24.48 24.55 24.60 L CBT	620.50 625.00 631.50 641.09 646.50 0,000fb 23.25 23.57 23.76 23.94 23.99 24.09 (100 to	33.202 1 4.281 1,837 1,673 1,023 5 42,819 65 Certif 7,269 9,494 1,177 1,430 1,229 472 21,107 ms; \$/1,0746	(00.256 28,456 12,173 11,235 10,429 184 166,164 5/lb) 6,142 55,429 15,914 9,123 6,946 6,946 9,123 6,946 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6
Nov Jan Mar Mar May Jel Aug Total SO' Oct Dec Jan May Jel Total SO' Oct	621.50 625.75 633.00 641.75 649.00 646.00 YABEAI 23.60 23.67 24.05 24.22 24.32 24.33 YABEAI 205.4 197.0	-5.50 -5.25 -5.00 -4.75 -5.00 +0.24 +0.13 +0.09 +0.14 +0.10 +0.14 -4.10	827.00 631.25 637.00 644.50 651.50 650.00 CBT (6 23.84 24.17 24.35 24.48 24.55 24.60 L CBT	620.50 625.00 631.50 641.09 646.50 0,000fb 23.25 23.57 23.78 23.94 23.99 24.09 (100 tx 204.0	33.2021 4.281 1,837 1,673 1,023 5 42,319 63. Certi 7.259 9,494 1,177 1,430 1,229 21,107 71,230 10,746 10,746 12,781	(00.256 28,456 12,173 11,235 10,429 186,164 5/(b) 6,142 55,429 15,914 9,123 8,946 9,123 8,946 9,123 8,946 9,123 8,946 9,123 8,946 9,123 8,946 9,123 8,946 9,123 8,946 9,123 8,946 9,123 8,946
How Jean Hear Heav Jel Aug Total E SO' Oct Bec Jean Hear Heav Jef Total E SO' Oct Jean	621.50 625.75 633.00 641.75 649.00 7ABEA1 23.60 23.67 24.02 24.32 24.32 24.32 24.32 24.32 34.35 7ABEA1 97.00 195.7	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 * Off L * 0.13 +0.14 +0.14 +0.14 +0.14 +0.14 +0.14 -3.1	827.00 631.25 637.00 644.50 651.50 650.00 CBT (8 23.84 24.17 24.35 24.46 24.55 24.80 210.4 187.5	620.50 625.00 631.50 641.09 648.00 646.50 0,000ft: 23.25 23.57 23.76 23.94 23.99 24.09 (100 tx 204.0 196.2 195.2	33.2021 4.281 1.837 1.672 1.673 5 42,819 5 42,819 7.269 9.494 1,177 1,430 472 21,107 472 21,107 472 21,107 10,746 12,781 1,988	60.256 28,456 12,173 11,232 10,429 184 166,164 5/1b) 6,142 5,542 5,542 5,542 6,946 9,123 6,946 18,875 46,384 14,375 14,389
Mov Jest Mar Mar May Jest SO' Oct Sec Jest Mar May Jest Soc Gct Dec Jest Mar May Jest Mar	621.50 625.75 633.00 641.70 549.00 546.00 7ABEA1 23.60 23.67 24.05 24.22 24.32 24.32 24.35 7ABEA1 197.0 195.4	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 * Off L * 0.13 +0.14 +0.14 +0.14 +0.14 +0.14 +0.14 -3.1	827.00 631.25 637.00 644.50 651.50 650.00 CBT (8 23.84 24.17 24.35 24.46 24.55 24.80 210.4 187.5	620.50 625.00 631.50 641.09 648.00 646.50 0,000ft: 23.25 23.57 23.76 23.94 23.99 24.09 (100 tx 204.0 196.2 195.2	33.2021 4.281 1.837 1.672 1.673 5 42,819 5 42,819 7.269 9.494 1,177 1,430 472 21,107 472 21,107 472 21,107 10,746 12,781 1,988	60.256 28,456 12,173 11,232 10,429 184 166,164 5/1b) 6,142 5,542 5,542 5,542 6,946 9,123 6,946 18,875 46,384 14,375 14,389
Mor Jun Mar Mar Mary Jul Total Bec Jun Mary Jul Bet Dec Jun Mary Mar Mary Mary Mary	621.50 625.75 633.00 641.79 649.79 646.00 7ABEA1 23.60 24.05 24.22 24.32 24.35 7ABEA1 205.4 197.0 195.7 192.9	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 Y ORL +0.13 +0.09 +0.16 +0.10 -4.11 -3.1 -3.1 -2.9	627.00 631.25 637.00 644.50 651.50 650.00 CBT (6 23.84 24.17 24.35 24.48 24.50 24.60 L CBT 210.4 187.5 195.3	620.50 625.00 631.50 641.09 646.50 0,000fb 23.25 23.57 23.76 23.94 23.99 24.09 (100 tx 196.2 195.2 195.2 195.2	33.2021 4.281 1.837 1.672 1.673 5 42,319 5 42,319 7.269 9.494 1,177 1,430 472 21,107 472 21,107 472 10,746 12,781 1,966 1,966 1,947	60.256 28,456 12,173 11,232 10,429 184 165,164 5/16) 6,142 55,424 9,123 6,946 5,946 3,173 6,946 14,375 14,375 14,375
Mov Jun Mar Mar Mar May Jul	621.50 625.75 633.00 641.70 549.00 546.00 7ABEA1 23.60 23.67 24.05 24.22 24.32 24.32 24.35 7ABEA1 197.0 195.4	-5.50 -5.25 -5.75 -5.00 -4.75 -5.00 Y ORL +0.13 +0.09 +0.16 +0.10 -4.11 -3.1 -3.1 -2.9	827.00 631.25 637.00 644.50 651.50 650.00 CBT (8 23.84 24.17 24.35 24.46 24.55 24.80 210.4 187.5	620.50 625.00 631.50 648.00 646.50 0,000fb 23.25 23.57 23.74 23.94 23.99 24.09 (100 to 196.2 195.2 195.2 195.2 195.5	33,2021 4,281 1,837 1,673 5 47,839 6: Certi 7,259 9,494 1,177 1,430 1,229 472 21,107 1,956 12,781 1,966 1,968 1,968	100.256 28,456 12,173 11,235 10,429 184 186,164 5/(b) 5,142 55,429 15,914 9,123 6,946 5,173 99,550 cn) 18,875 46,384 14,375 13,299 14,375 13,299 16,513
Mov Jan Mar Mar Mar Mar May Jul Aug Total  SO' Oct Dec Jan Mar May Jul Total  Cot Total Total Total Total Total	621.50 625.75 633.00 641.75 649.00 646.00 7ABEA1 23.60 23.67 24.05 24.22 24.35 7ABEA1 205.4 197.0 192.9 192.3 194.8	-5.50 -5.25 -5.00 -4.75 -5.00 VOIL +0.13 +0.03 +0.14 +0.14 +0.16 -0.14 -	827.00 631.25 637.00 644.50 650.00 CBT (6 23.84 24.17 24.35 24.60 24.55 24.80 L CBT 197.5 195.5 197.5	820.50 625.00 631.50 641.00 646.50 0,000fb 23.25 23.57 23.78 23.99 24.09 (100 tc 196.2 196.2 196.2 196.5 196.5 196.5	33,202 4,281 1,837 1,872 1,023 5 5 62,399 8: Cert 1,177 7,259 9,494 1,177 1,229 472 21,197 19,56 11,966 11,966 11,966 518 23,956	60.256 28,456 12,173 11,275 10,429 184 (66,164 5/(b) 5,142 5,173 90,500 cn) 18,875 46,386 14,375 14,375 13,299 14,173 14,576 13,299 14,173 14,576
Mow Jun Mar Hary Jul Aug Total E SC Oct Dec Jun Hary Jul Totul E SC Oct Dec Jun Hary Totul E SC Totul E SC	621.50 625.75 633.075 641.075 649.00 546.00 7ABEA1 23.60 23.67 24.02 24.32 24.32 24.32 24.32 24.32 24.35 7ABEA1 197.0 192.9 192.3 194.8	-5.50 -5.25 -5.00 -5.00 -5.00 -5.00 -5.00 -6.00	827.00 631.25 637.00 644.50 650.00 CBT (6 23.84 24.17 24.35 24.60 24.55 24.80 L CBT 197.5 195.5 197.5	820.50 625.00 631.50 641.00 646.50 0,000fb 23.25 23.57 23.78 23.99 24.09 (100 tc 196.2 196.2 196.2 196.5 196.5 196.5	33,202 4,281 1,837 1,872 1,023 5 5 62,399 8: Cert 1,177 7,259 9,494 1,177 1,229 472 21,197 19,56 11,966 11,966 11,966 518 23,956	(00,256 28,458 12,173 11,235 10,429 184 195,164 57,16) 5,142 55,429 15,914 5,946 5,946 5,946 5,946 15,946 15,946 15,946 15,946 15,946 14,375 14,375 14,375 14,170 6,513 115,846
Mow Jun Mar Hary Jul Aug Total E SC Oct Dec Jun Hary Jul Totul E SC Oct Dec Jun Hary Totul E SC Totul E SC	621.50 625.75 633.075 641.075 649.00 546.00 7ABEA1 23.60 23.67 24.02 24.32 24.32 24.32 24.32 24.32 24.35 7ABEA1 197.0 192.9 192.3 194.8	-5.50 -5.25 -5.00 -5.00 -5.00 -5.00 -5.00 -6.00	827.00 631.25 637.00 644.50 650.00 CBT (6 23.84 24.17 24.35 24.60 24.55 24.80 L CBT 197.5 195.5 197.5	820.50 625.00 631.50 641.00 646.50 0,000fb 23.25 23.57 23.78 23.99 24.09 (100 tc 196.2 196.2 196.2 196.5 196.5 196.5	33,202 4,281 1,837 1,872 1,023 5 5 62,399 8: Cert 1,177 7,259 9,494 1,177 1,229 472 21,197 19,56 11,966 11,966 11,966 518 23,956	60.256 28,456 12,173 11,275 10,429 184 (66,164 5/(b) 5,142 5,173 90,500 cn) 18,875 46,386 14,375 14,375 13,299 14,173 14,576 13,299 14,173 14,576
Mov Jun Mar Hay Jul Aug Total E SO Oet Jun Har May Jul Total E PO May May Jul Total E PO May May May May Jul May May Jul May Jul May May Jul May May May Jul May	621.50 625.75 633.00 641.75 649.00 646.00 YABEAN 23.60 23.67 24.05 24.22 24.35 YABEAN 195.7 195.7 192.9 194.8 FATOES	-5.50 -5.75 -5.75 -5.00 -4.75 -5.00 V OR. L +0.13 +0.09 +0.14 +0.14 +0.14 +0.14 -2.1 -2.8 -3.2 -3.2 -3.2 -3.2 -3.2 -3.2 -3.2 -3.2	827.00 631.25 637.00 641.50 641.50 651.50 650.00 CBT (6 23.84 24.35 24.48 24.48 24.48 24.48 187.5 195.5 195.5 195.5	620.50 625.00 641.09 644.00 646.50 0,000lb 23.25 23.34 23.94 24.09 (100 to 196.2 195.2 195.2 195.5 195.5 195.5	33,202 4,281 1,837 1,623 5 62,319 65 Cent 7,239 65 Cent 1,430 1,229 472 221,107 AF 1,986 61 1,988 23,935 2 por te	100,256 28,456 12,173 11,235 10,429 184 186,164 9,123 55,429 15,914 9,123 9,500 6,946 5,173 99,500 18,875 46,384 14,375 13,299 14,170 6,513 (115,846 47,170 6,513 (115,846 47,170 6,513 (115,846 47,170 6,513 (115,846 47,170 6,513 (115,846 47,170 6,513 (115,846 47,170 6,513 (115,846 47,170 6,513
Mow Jun Mar Hary Jul Aug Total E SC Oct Dec Jun Hary Jul Totul E SC Oct Dec Jun Hary Totul E SC Totul E SC	621.50 625.75 633.075 641.075 649.00 546.00 7ABEA1 23.60 23.67 24.02 24.32 24.32 24.32 24.32 24.32 24.35 7ABEA1 197.0 192.9 192.3 194.8	-5.50 -5.25 -5.00 -5.00 -5.00 -5.00 -5.00 -6.00	827.00 631.25 637.00 641.50 641.50 650.00 CBT (6 23.84 24.35 24.45 24.55	620.50 625.00 641.09 644.00 646.50 0,000lb 23.25 23.34 23.94 24.09 (100 to 196.2 195.2 195.2 195.5 195.5 195.5	33,202 4,281 1,837 1,672 1,673 1,673 1,673 1,673 1,673 1,673 1,673 1,748 1,749 1,748 1,986 1,988 23,955 2,por te	(00,256 28,458 12,173 11,235 10,429 184 195,164 57,16) 5,142 55,429 15,914 5,946 5,946 5,946 5,946 15,946 15,946 15,946 15,946 15,946 14,375 14,375 14,375 14,170 6,513 115,846

	941:12					
7	649.00	-4,75	街1.50	648.00	1,023	10,4
19	646.00	-5.00	650.00	646.50	- 5	1
tal					42,310	166,1
SO	YABEA	Y OFL	CBT (B	0,0001	e: cert	ls/lb)
đ	23.60	+0.24	23.84	23.25	7,269	6,1
IÇ.	23.87	+0.13	24.17	23.57	9,494	55,4
	24.05	+0.09	24.35	23.76	1,177	
	24.22	+6.06	24,48	23,94		
Ey .	24.32	+0.14	24,55			
đ	24.35	+0.10	24,80	24.09	472	5,1
tel.					21,107	99,5
SO	YABEA	N MEA	L CET	(100 ta	ons; \$/1	ion)
ŧ	205.4	-41	210.4	204.0	10,748	18.8
e e	197.0	-8.1	200.4		12,781	
•	195.7	-3.1	187.5		1,986	
	192.0	-28	195.5	192.8	1,968	13.2
-	192.3	-29	194.8	1925	1,447	14,1
í.	194.8	-32	197.5	185.0	618	5,5
п					29,556	115,8
PO	TATOE	UFF	[20 to	nnes; !	2 per te	A H PO
T .	65.0	_	_	_	_	
	E.08	+2.0	-	-	-	
	100,0	+2.0	102.6	99.9	129	96
W.	115.0	+20	-	-	-	2
A	125.0	+20	-	-	-	
					m/s	D
FR	EIGHT (	BUFFE	Q LIFFE	(\$10/	ndex p	olmo
P	1277	-3	-		-	36
4	1380	+6	1390	1379		1,03
w	1480	+5	1480	1480	43	2
9	1465	+5	1495	1495	40	49

7ats1					m/n
■ FR	EIGHT (9	<b>EFFEX</b>	UFFE	(\$10/	dex po
Sep	1277	-3	-		-
Oct	1380	+6	1390	1379	01
May	1430	+5	1480	1480	43
بعدل	1485	+5	1495	1495	40
Apr	1500	+5	-	-	-
Total					17/2
	Close !	TOY			
明	10/2	11/2			
PUI	PAN	ND.	PAP	ER	

	Sett	Day's				Open
	price	change	15gb	Low	Yol	int
ec	607.00	+0.50	807.00	603.50	66	171
lar	627.25	+0.25	627.25	623,00	65	173
أحلت					146	340

Minor metals from Metal Bulletin
European free market. \$ per lb in ware-
house, unless otherwise stated (last week's
In brackets, where changed). Antimody:
99.65%, \$ per tonne, 1,860-1,920 (1,880-
1,940), Eigenuth: min. 99.99%, torne jots
3.30-3.50. Cadmium: min. 99.95%, cents a
pound, 40.00-50.00. Cobalt MB free may-
ket, min, 99,8%, 23,80-24,80 (24,00-25,00);
min. 99.3%, 20.00-20.60 (19.90-20.60).
Mercury: min. 99.99%, \$ per 7S in flesk,
140-150. Molybdanam: drammed molyb-
dic oxide, 4.25-4.40. Selenium: min
99.5%, 2,00-3,00 (1.90-2.90). Tungeten
ore: min. 65%, \$ per tonne, CIF, 40-45.
Vanachure min. 98%, CIF. 4.08-4.15.

				SEE. per ton		SOF		FE (10	tonnes	; E/ton	ne)	
	Chap's		Low	Vel	Open Int			Dey's change	Ellyt.	Low	Tol	Open int
86.35	+0.35	86.35	85.25	127	2,762	Sep	1129	+18	1112	1112	0	6
88.25	+0.25	88.25	67.25	98		Dec	1125	-7	1144	1124	2841	
90.25	+0.25	89.90	89.25	88	2,502	Mar	1145	-7	1165	1145	2,715	51.29
92.25	+0.25	92.25	91.25	150	1,486	May	1184	-8	1176	1160	315	22.93
	+0.25					Jed	1178					8,84
				n/a		Sep	1193			1192		13,24
EAT C	OT /S O	Mar .	-		bushel)	Total		-			o'e	
EA) U	0) (D(0)	וייו טעא	74 LON	a cour	ALS-67	■ COC	~~	e Mn	-		-	
354.25	-4.75	261.00	354.00	12,275	62,818	- 000	<u>~~</u> ~	ve (10	ран и жаза	,	, many	
368.75	-4.00	374.00	368.00	2,763	25,578	Dec	1679	-3	1692	1655	4,862	40,889
376.25	-3.75	380.00	375.25	591	5,118	Mar	1711	-1	1721	1686	1,548	24,470
377.00	-3.25	380.00	375.00	1,100	11,123	Mary	1731	-1	1740	1710	64	12.03
	-200					Jul	1750	-1	1762	1745	27	3,57
390.00	-4.75	385.00	390.00	35	2,768	Sep	1757	-1	_	_	1	4,510
					107,453	Dec	1784		-	-	111	
TE CO	TEON	. h. m	or comb		(lentaux	Total					8.813	102.55
45 00	1 \$5,000	J CO III	II, ÇBIR	S JOHN L	NE IO	E COC	YO 4 AC	YYY (9)	D'en	-cont		
257.75	-1.00	259,50	257.50	42,151	194,622		~~ "	<u>~, ⊳</u>	JA DW	Tarey		
266.75	-0.75	268.25	266.25	9,367	63,936	Sep 29			Pr	lce		104. di
271.50	-1,00	273.00	271.25	1,948	15,968	Daily			_ 1305.	95		1296.5
275.75 271.25			275.50 270.75		27,753 2,065	■ COF	FEE U	FFE (5	tonnes	\$/tons	ne)	
271.00					17,828	Sep	1605	+8	1563	1542	139	15
27 1.00	_	27 1.30	21423		322,410	Nav	1605				2,373	
			_			Jant	1617		1620		1,742	
LEY L	IFFE (1	OO ton	nes: £	per tor	mei		1012	-13	1320	.300		-,00

40				100		im. Day
dy _			1296.57			
CO	FFEE UF	TE (5	tonnes	\$/tonr	ne)	
p	1605	+8	1563	1542	139	157
W	1605	-2	1610	1550	2,373	17,650
r	1617	-13	1620	1568	1,742	9,950
	1622	-14	1615	1577	503	5,032
ry .	1632	-13	1620	1805	45	734
ď	1642	-11	1630	1615	12	302
					of.	wa
œ	C THE	CSCE	(37,50	10fbs; c	ents/I	bs)
E	162.50	+1.75	163.50	160.00	7,661	12,618
	151,40	+1.50	152.00	149.00	1,212	B,449
T	148.40	+1.40	146.75	144.00	427	1,954
ï	141.40	+1.40	141.40	138.85	143	1,856
9	136.40		137.00	135.00	21	505
p		+1.40				505 348

Sep 29						rev. de
Comp. (	daily		125	52		126.4
15 day	average _		130.	.00		130.9
■ WH	ITE SUG	AR UF	TE (50	torme	s, \$/ta	onne)
Dec	299.5	-5.1	304,0	298.0	1,081	9,802
Har	308.0	-22	310.5	306.0	1,096	14,792
May	313.6	-0.9	314.5	311,4	201	3,201
Ang	316.8	-0.6	317.5	314.5	182	1,770
Oct	314.5	-0.2	314.5	313.2	80	2,521
Dec	317.3	+1.5	-	-	-	124
Total					D/2	7/2
■ SU	GAR '11'	CSCE	(1 12,0	00lbs;	cents	/fos)
Oct	11.17	+0.13	11.20	10.96	0,932	8,125
Mor	11.56	_	11.60	11.50	2,370	84,241
May	11.68	-0.01	11.73	11.52	1,912	24,263
Jul	11.51	-0.02	11.57	11.A7	576	18,105
Oct	11.50	-0.02	11.56	11.49	451	14.001

COFFEE (ICO) (US cents/pound

SUG	AR 77	COLE	(1 12,0	UUIDS,	COTAS	HDS)
1	11.17	+0.13	11.20	10.961	0,932	8,125
_	11.56	_	11.60	11,501	2,370	84,241
y	11.68	-0.61	11.73	11.52	1,912	24.263
_	11.51	-0.02	11.57	11.47	576	18,105
	11.50	-0.02	11.56	11.49	451	14.001
	11.46	-0.02	11.49			3,334
al						163,308
СОТ	TON N	YCE (50	0,000lb			
:	69.40	-1.14	70.90	69.40	45	67
,	71.55	-1.54	73.05	71.50	3,706	47.749
	73.16	-1,14	74.25	73.10	536	15,063
y	73.88	-1.10	74.85	73.82	302	6.691
	74.57	-1.03	75.35	74.55	213	B.248
	75.00	-0.45	75.30	75.00	62	
					4,835	\$4,760
ORA	NGE J	JICE N	YCE (15	5,000 <b>0</b>	cent	s/fbs)
,	72.10	+0.40	74.10	71.55	1,226	17,919
	75.00	+0.20	76.75	74.55		10.142
•	77.75	+0.25		77.40		7.023
_	B4 60		-			-

2104 3/,50
Sta shown for NYMEX, CST,
Crude Of are Open Interest
he.

#### INDICES Routers (Base: 16/9/31 = 100) Sep 30 Sep 29 month ago 1890.3 1893.0 1820.7

CRB Putures (	Base: 1967	= 100	
Sep 29 Sep 243.49 242. ■ GSCI Spot (Ba	72	100)	year
Sep 29 Sep 202.01 203.		5.77	20
Aluminium ' Aluminium siloy	-550 -340	to to	. 7
Copper Lead Nickel	+1,400 -75 +18	to to	1
Zinc Tin	-850 +85	to to	4

# MEAT AND LIVESTOCK

	VE CAT	TLEC	ME (40,		cents	(Pos)
		Day's	High	Low	Tol	Description
Oct	67.700	-0.550	68.425	87.600	5,357	18,503
Dec	67,100	-0.775	68,100	67.075	6,580	37,968
Feb	69,850	-0.706	70.875	69,775	2,144	18,157
Apr	72,950	-0.525	73.525	72,850	876	10,218
Jan	68.775	-0.425	70.250	69,700	484	6,823
Ant	69,500	-0.500	70.150	69,500	115	2,100
Total					16,173	92,200
M LE	AN HO	es civ	KE (40,0	KOOIbac	cents/	be)
Oct	67.800	-1.825	88.975	67.700	2573	9,353
Dec	68,425	-2.000	85.850	63.425	2,503	11,246
Feb	62.500	-2,000	64,750	62,500	1,103	4,247
Agr	59.025	-1,750	60.950	59.000	326	1,791
Jan	65,725	-1.125	67.050	65.650	221	1,405
Jed	64,475	-0.775	65,350	64.475	48	787
Total					6,756	29,358
E P	ORK BE	LIES	CME (	10,0000	os; cen	te/bs)
Feb	63.525	+0.375	64,000	62.000	1,775	5,458
Mar	63,425	+0.225	63,750	61.950	134	515
May	64,900	+1.000	64.900	63,400	17	114
Jal	65 900	+0.750	65,900	63,900	29	97
Aug			65,000		2	12
Total		,			1.955	8.213

# LONDON TRADED OPTIONS

<b>ALUMENIUM</b>				
(99.7%) LME	Oct	Jan	Oct	Jan
1500	160	155	1	15
1600	72			
1700	20	42	60	39
COPPER				
(Grade A) LME	Oct	Jan	Oct	Jan
2000	141	172	21	. 48
2100	76	114	55	89
2200	35	71	119	143
COFFEE LIFFE	Nov	Jan	Nov	Jan
r/a				
n/2				
r/a				
E COCOA LIFFE	Dec	Mar	Dec	M.
n/a				
n/a				
n/a				
BRENT CRUDE				
IPE			Nov	
1900	95	118	14	-
1950	73	89	30	52

# LONDON SPOT MARKETS

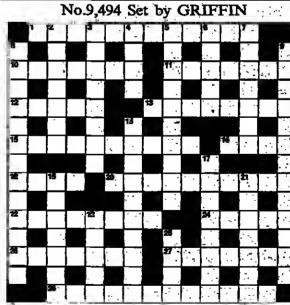
in Outone our LOG fiel partel		
Dubel Brent Blend (dated) Brent Blend (Nov) W.T.J. BOBL PRODUCTS M	\$18.72-8.84w \$19.87-9.90 \$19.97-0.00 \$21.24-1.28w WE prompt delivery	+0.57 +0.425 +0.45
Premium Gaaciine Gas Oil Heavy Fuel Oil Naphtha	\$203-205 \$162-186 \$94-86 \$200-201	
jot funi Diesei III NATURAL GAS (Pe	\$198-199 \$191-194 (nce/therm)	+5.5
Bacton (Nov)	13.20-13.30	+0.05

Gold (per troy co:)	\$333.05	+5.8
Silver (per troy cu)	524,00c	+20
Platinum (per troy cz.)	\$434.25	+5.2
Palladium (per troy oz.)	\$194.00	-1.0
Copper	100.0c	
Land (US prod.)	45,00c	
Tim (Kuela Lumpur)	18.13r .	٠.
Tin (New York)	265.0	-1.5
Cattle (thre weight)	'97.42p '	-2.16
Sheep (live weight)	108.540	-0.76
Pigs (live weight);	81.84p	-0.17
Lon. day sugar (raw)	\$267.40	
Lon. day sugar (wte)	\$302.00	-8.00
Barley (Eng. feed)	Ung	
Make (US NoS Yellow)	£100.00	•
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	58.50p	

# Rubber (Nov)¶ Rubber (KL RSS No1) 670.0y 650.0z \$420.0z Coconut Oil (Pr

JOTTER PAD

### CROSSWORD



1 Not surprisingly, a child prodigy? (6.6) spinning a coin (7) 11 Poseidon writer's back strain (7)

son to hang (5) About fifty pass one with a "D" which is brilliant (8) 15 A terrible pittance, I expect

16 Like nothing left in on top of that (4) Assistant needed a fish (4) 20 Braces for soldiers in the armed services (10) 22 I cross in plastic, as they often bite (8) 24 Hear of the foreign article on our navy (5)

Accuse artist with a sickly

grin about it (7) Covers a brown winding breaking a spanneri (6,6)... 2 inaccurate hill person nearest is holding (7)
3 Taking many in, a number

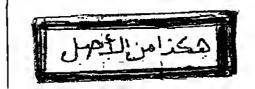
impress? (4)
All-powerful MO to

deny being bent (8) And the rest had no time to

7 Always short of m 8 Friend in need appears just 9 First to admit pervert

makes people sick (4.9) 14 Look for cooked canape Failing to find wood takes everything back (8) 19 Etiquette of unusually rud CO getting married (7) -21 Confused tea company

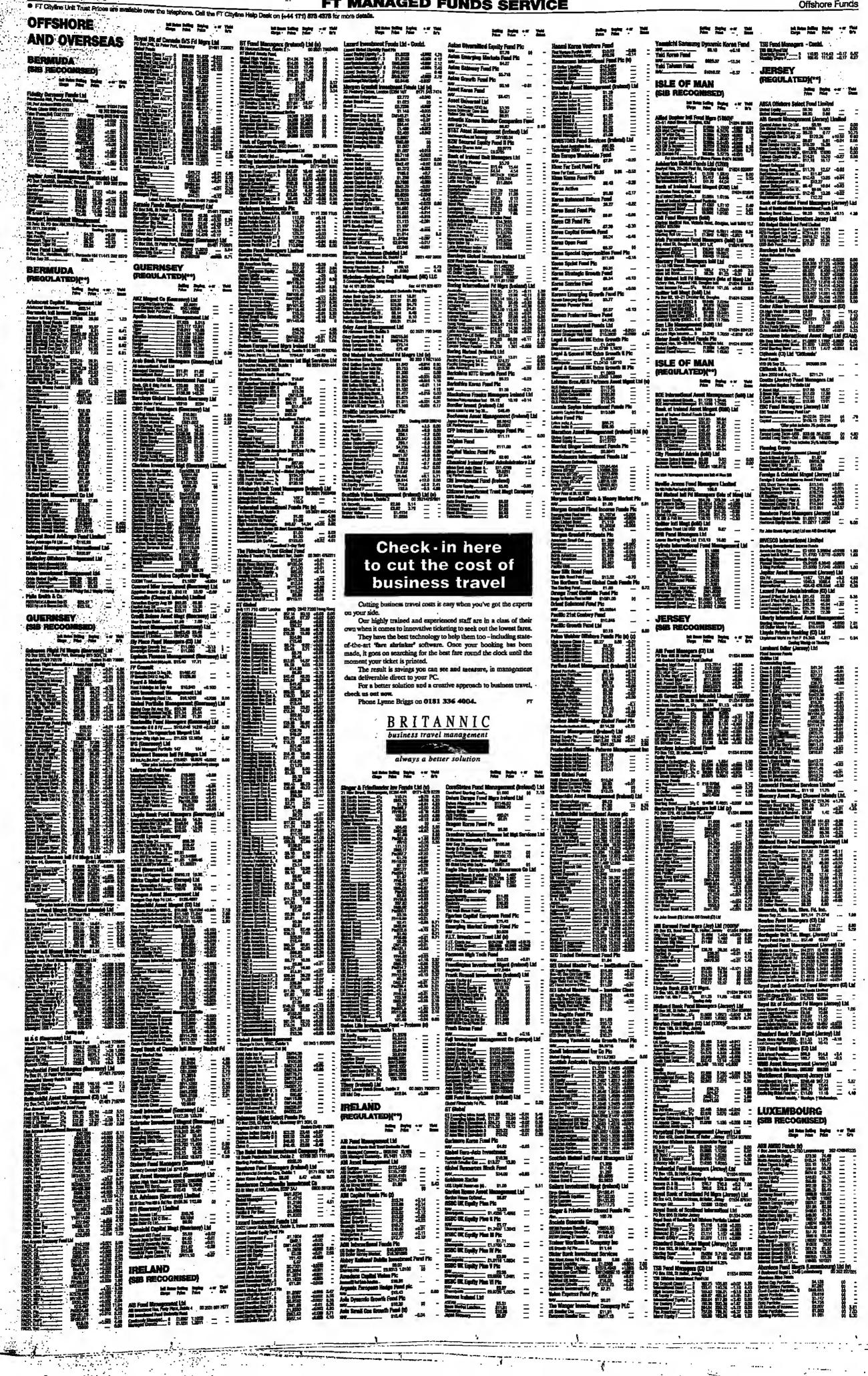
takes it back (7) 25 Broadcast "Carmen" originally set in a berge (4)



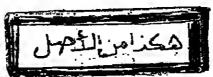
CONTRACTORER IN

FT MANAGED FUNDS SERVICE

Offshore Funds

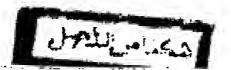


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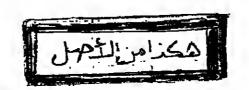
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# FT MANAGED FUNDS SERVICE Offshore Insurances and Other Funds ● FT Cityline Unit Trust Prices are available over the telephone. Cell the FT Cityline Help Desk on (+44 171) 873 4378 for more details. Prochar Life 1 for bride Run, Lampberg The 200 Tel 4000731 Converged Catack 8 Fel 1, 1907 Section 1 for 1909 Section 1 fo ORGENIT Growth Fig. DIVES Domination of the Control of t milit Sarrioy Parida SPLA Flatish (Stinut) 51,0400 1,1300 -0,0000 Bayel Life International Const. Reyel Cont. Aborty Mr. Enthurase this 91824 827212 Penal Life Split Spli ### Principles and Conference Con +031 4.71 +031 0.38 0.38 2.10 10.18 High Yold Fram Any 25 ... \$1943.09 Passinable Banck A.S. Dit New World Fill List Any 28 ... \$1000.11 December Annexes Section 1... \$1000.11 December Seath Invariant Ecomp Destablisher Invariant - Treat Companies ... \$1000.11 Destablisher Invariant - Treat Companies ... \$1000.11 Destablisher Invariant - Treat Destablisher Invariant | Supple Statistics | 156 Americans | 156 Amer 157.42 188.27 158.00 148.72 140.13 151.08 151.08 Administration of Assertion Provided by Blanch of Assertion 1991. Approximate the result of Assertion 1992. Approximate the result of Assertion 1992. Assertion Ass LDG 19... \$1035.23 ## Indotested Trust. | 98.81 | 7.82 | -0.25 | Indotested Trust. | 98.81 | 7.82 | -0.25 | Indotested Trust. | 98.81 | 7.82 | -0.25 | Indotested Earn 18. | 527.80 | 49.14 | -0.21 | I. Extraction Earn 18. | 523.8 | 57.40 | I. Extraction Fallon. | 53.40 | 15.40 | I. Extraction Fallon. | 53.40 | 15.40 | I. Extraction Fallon. | 53.40 | 15.40 | I. Extraction Fallon. | 53.40 | I. Extraction Earn 18. | 52.51 | I. Extraction Earn 18. | 52.51 | I. Extraction Earn 18. | 53.51 | II. Extraction Earn 18. | 53.51 | III. Extraction E \$1410.00 +16.00 -SF/158.10 +0.20 SF/258.25 +2.25 SF/278.80 +0.00 \$10,11 \$10.22 The Global Meneged Investor Board Limital Status Brant ... \$1.00 1227 ... U.D. Lib Deler Hampon ... \$1.144 1.202 ... U.D. Excepton Hampon ... \$1.144 1.204 ... U.D. Excepton Hampon ... \$208.5.75 ... \$1.00 Hampon ... \$1.00 neut Ltd To the part of the germent (Acts) Ltd 51.20 -0.0 10.05 -0.0 errill Lyech Asset Med -0.08 -0.78 \$12.77 \$12.11 Scotlish Provident half Life Ass Ltd. Inheritie he Fit, Good Rd; Dougles, had 362 Europa 1982 Personat Ltd Omerican Brotop Construct Style Construct Styl

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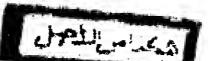
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#### LONDON STOCK EXCHANGE

# FTSE 100, 250 and All-Share hit new records

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's equity market shrugged aside an early bout of nervousness, gathered itself and then picked up speed to race ahead to new intra-day and closing highs yesterday, although suffering

bouts of selling pressure. Once again, it was the supposed shift in the Government's stance over monetary union, and institutions were said to have been loathe to shift asset alloca market.

tions on the final trading session The FTSE 100 index ended a Labour government's greater that for 1998 to 5,800, to reflect of the third quarter.

market from across the Atlantic, a record intra-day peak of 5,269.2 equity market strategist at Dresd-Average up 69 points on Monday. But the Dow caused some worry-

from the technology sector. And a warning for investors 2,455.02, up 10.4. came from Cartmore Investment. UK fund management groups, the continuing strength of gilts, which has increased the cash elethat was behind the market's ment of its managed funds to 17 dash to new peaks. And the hig per cent, after speaking of "extreme conditions" in the stock

There was initial help for the closing high of 5,244.2, having hit Emn. Philip Isherwood, UK convergence theory.

The FTSE 250 index also raced ahead to new intra-day and closing moments for London when ing records, settling 12.8 up at Wall Street slipped early yester- 4,829. The SmallCap added 10.3 at day after some profit warnings 2,335.0. The all-embracing All- much debated, the new govern-Share index closed at a record

The Federal Reserve's open Management, one of the big four market committee meeting, begun, the shift in bond yields of weeks," one said. which started yesterday, was said by dealers to have posed no real threat to markets, with analysts 5,600 could be seen this year." expecting US interest rates to be left on hold.

Commenting on reports of the end target from 5,000 to 5,300 and shares.

'convergence' chib.

entry will remain uncertain and ment's commitment to Europe is along with the story. beyond doubt. With the process of discounting now explicitly such a huge rise in just a couple means that our Q2 FTSE 100 target for 1998 of between 5,500 and

Over at Merrill Lynch, the UK opening price up to 450p. strategy team hoisted its year-

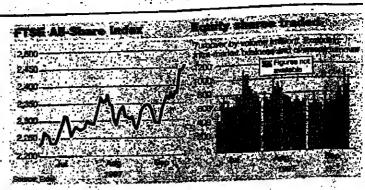
busy trading session 23.9 up at a willingness to move towards falling bond yields on the Emu

Some dealers said the market with the Dow Jones Industrial ahead of the Wall Street opening. ner Kleinwort Benson, said: "The remained "confused and not UK has now officially joined the wholly convinced" about the. apparent shift by the Govern-"Although the actual timing of ment towards Emu, and was therefore open to some potentially violent moves. Others went

"It needs to consolidate after

Today's market debut of Northern Rock is expected to go well soms traders were talking the

Turnover at 8pm was 984m



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indices and rati	05			
FTSE 100 FTSE 250 FTSE 350 FTSE All-Share yield	5244.2 4829.9 2516.3 2455.02	+23.9 +13.8 +10.7 +10.42 3.19	FT 30 FTSE Non-Fins p/e FTSE 100 Fut Dec 10 yr Gilt yield Long gilt/equity yid r	3370.5 +7.0 20.46 20.38 5333.0 +25.0 6.51 6.53 atio 2.07 2.06
Best performing Tobbacco	······································	+2.4 +1.5 +1.4	Worst performer  1 Engineering: Vehic  2 Oit Integrated  3 Mineral Extraction  4 Insurance	des

### Northern debut optimism

Banking specialists hung fire yesterday ahead of the last of the great sector demutualisations - Northern

Members of the former building society were last night auctioning 43 per cent of the 444m shares through ABN Amro Hogre Govett.

Citywatch and IG Index. the two principal financial bookmakers, were quoting indicative prices around 430p a 55 per cent premium to initial hopes. Some marketmakers said strong demand for Northern shares could push them as high as 450p. valuing the company at £2bn.

Institutions, which are already underweight in the sector following the recent flotations of Halifax, Alliance & Leicester and Woolwich, will be struggling to maintain a relevant holding.

Concentration on Northern ensured that the rest of the banks, which led the market higher on Friday, succumbed to profit-taking. Salomon and Dresdner Kleinwort Benson turned more cautious on the short-term outlook for certain stocks in the sector.

Kleinwort moved to "hold" from "add" on Standard to Caradon, which surren-Chartered, down 12% to 847%p, while Salomon advised clients to take profits in Bank of Scotland, 16% the D-Mark, overseas earners Sep 30 Data based on Equal shares listed on the London Share Se

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was also cautious on Lloyds profits. Lucas Varity was off TSB, Barclays, and Abbey 9 at 234p, the biggest fall in National which were lower in early trading but recovered later.

There were mixed fortunes for housing-related stocks. A press report referring to good value in the house-building sector saw Beazer Group up 4 at 183p and Barratt Developments ahead 11/2 to 263%p in brisk volume. The sentiment also spread to Bryant Group, which gained 21/2 to 1231/2p, and Persim-

mon, which rose 3 to 2281/2p. However, building materials group Hepworth came out with poor interim results that prompted a series of downgrades by analysts, and the shares, which stood at 284p in April, surrendered 31/2 to 208p.

. Hepworth reported interim pre-tax profite cut from £35.5m to £11.1m, and analysts lopped full-year pre-tax forecasts from £57m to £54m-£53m.

BZW has cut its earnings per share forecast from 16.4p to 14.4p, putting the shares on a prospective p/e of 12 times, a discount to the market of about 29 per cent.

Analysts said this discount would have been even greater but for hopes that the incoming chief executive, Jean Francois Chene, who starts work today. would deliver an improvement after a strategic review of the group.

Bearish sentiment spread dered 3 to 191%p. As sterling recovered some of its recent decline against See

shed 41% to £14.00. The vehicle engineering sector was accordingly one of the market's worst performing sectors vesterday. British Steel, the most-

heavily geared play to the strength of sterling, surrendered 4 to 1784p. However, it was not all bad news for metal-bashers.

the FTSE 100, while GKN

McKechnie put oo a further 3 to 505%p following its strong results on Monday. Reed International recovered 18 to 525p as investors decided that the 13 per cent slide over the past two trad-

ing days was overdone. The company gave some reassurance that prompt action was being taken to counter Friday's revelation that circulation figures had

CEO OF

of Freshfields, the UK-based coming out of Toronto. international law firm, to investigate the problem.

helped by bnying of the showed SmithKline Beeunderlying shares as BZW issned 25m one-year call warrants in a basket of media stocks. The 101p warrant gives the

opportunity to buy into Reuters, BSkyB, Reed, Pearson. United News & Media, Cariton, Mirror and Scottish Media\_

Mirror Group received further support from optimism that the Monopolies and Mergers Commission will shortly approve its offer for Midland Independent Newspapers. Mirror rose 31/2 to 200%p.

Smithkline Beecham benefited from early buying in response to news of one of been exaggerated at its its treatments. The shares

	Sep 30	Sep 29	Sep 26	Sep 25	Sep 24	Yr ago	"High	Low
FT 30	3370.5	3363.5	3374.2	3276.5	3278.2	2861.7	3374.2	2668.8
Ord. div. yield			3,34		3.45			
P/E ratio net	21.96	21.94	21.99	21.31	21.33	17,37	21.99	15.80
P/E ratio rul			21,69			17.21		
FT 30 error comp						e Date: 1/	7/35.	

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 3367.3 3373.7 3357.0 3362.8 3366.7 3361.0 3376.3 3362.1 3365.6 3382.2 3353.2

	Sep 29	Sep 29	Sep 26	Sep 25	Sep 24	Yr ago
SEAQ borgains	53,104	S1,404	61,865	39,857	39,866	39,061
Equity turnover (Emit	_	NA	3430.1	2833.2	2893.2	1501.7
Equity bergainst	_	NA	56,407	40,218	41,518	30,709
Sharas traded (milit	-	NA	1031.5	902.3	1127.9	472.7
†Excluding intra-market an	d overseas	tumover bu	netuding i	Creek turnov	er.	
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52 Week highs and lows LIFFE Eguity options 460 1,479

lower at 512p. The broker lost ground as investors took travel trade group. Reed were up 23 at one stage as Trading in Asda was marked announced the appointment dealers considered reports by a two-way pull that the shares eased to 158%D.

The company told a conference that results from a The shares were further recent study involving mice J. Sainsbury found support cham's Famvir was more effective than Glaxo Wellcome's Valtrex in reducing cells containing dormant herpes simplex virus infec-

> tion had approved Combivir, mandate from the London of the London a new tablet combining the Pensions Fund Authority in ELECONOMICS IN ELECTRONS THE ELECTRO Aids treatments Epivir and Retrovir.

Furthermore, Glaxo said, the FDA has approved Val- following a recent visit by trex in a once-daily tablet form. SmithKline closed 61/2 up at 601%p while Glaxo ended 29% higher at £13.94%.

In telecoms, BT eased 3 to 409%n after industry regulator Oftel called for the telecoms giant to end discriminatory action on music transmissions. Turnover in the stock was 12m.

Cable & Wireless rose 21/2 to 527%p, boosted by news of its increased holding in Asia Satellite Telecommunications Holdings, which is listed on the Hong Kong Stock Exchange.

The UK group bought the shares from Hntchison Whampoa for £36.7m in cash. The deal takes C&W's holding in AsiaSat to 28.73 per cent. Sentiment in the stock was also boosted by vague rumours of a bid from US group AT&T.

Yesterday afternoon'a statement from Safeway. which reaffirmed that the exploratory discussions about a merger with Asda Group are at an end, did little to calm speculation that the two groups may yet strike a deal

Shares in Safeway, which had retreated on active profbrought turnover of 7.4m as

In the rest of the sector, which helped the shares firm 5% to 464%p. Volume was 5.5m. However Tesco was out of favour, the shares falling 2 to 470%p in trade of

competition with Gartmore. Rio Tinto gained 14 to

990%p on positive comment analysts to the mining company's US operations.

#### **FUTURES AND OPTIONS**

Dec Mer	Open 5318.0	Sett price 5328.0 5373.0 FUTURES	+22.0	High 5360.0 10 per full	5296.0 Index poi	10118	Open int. 66118 1973
Dec	<u> </u>	4876.0	+13.0			0	8653
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19.94 59.29 2186.56

		% obg		Year	Gross div yield %	P/E ratio	級 w	Low
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M Regional Indicas								
Airica (15)	1363.05	+2.7	1326.68	2495.03	5.61	23.34	2546.87	1224.90
Apstralasia (6)	1461.36	-1.9	1489.42	2075.30	2.72	17.36	2218.00	1336.10
Horth America (11)	1507.35	+29	1464.19	1677.12	0.92	59.48	1839.77	1244.23

#### it-taking, came off the day's lows to close a net 3 off at 4021/sp. after trade of 6.9m. FTSE Actuaries Share Indices +0.5 5220.3 5228.3 3982.2 +0.5 5220.3 5228.3 3982.2 +0.3 4816.1 4809.1 4409.8 +0.3 4830.5 4822.9 4439.7 +0.4 2505.6 2507.2 7886.6 +0.4 2507.9 2509.5 +0.5 2411.4 2410.3 1835.2 +0.4 2324.55 2321.13 2171.27 +0.4 2324.55 2321.13 2171.27 +0.4 2444.50 2445.86 1980.67 +0.4 2447.73 2443.12 -5244.2 4829.9 4844.0 2616.3 2518.5 2424.3 2611.4 2334.98 2312.02 3.11 3.47 3.60 2.17 3.10 4.25 2.30 3.14 3.40 3.17 3.20 2.55 2.84 2.60 2.62 3.52 1.86 2.53 2.73 2.60 2.63 2.06 1.78 1.62 2.00 1.81 2.28 1.62 1.68 1.98 FISE 250 FISE 250 ex II FISE 350 FISE 350 ex II FISE 350 Higher Yield FISE 350 Lover Yield FTSE SmallCap ex IT FTSE All-Share ■ FTSE Actuaries Industry Sectors

		Day's			Year	Gross	Net	Net	P/E	Xd adL	Total
	Sep 30	chge%	Sep 29	Sep 26	ago	yleld%	yield%	COVET	ratio	ytd	Plotus?
10 MINERAL EXTRACTION(20)	5072.92	-0.8	5112.68	5105.82	3853.05	3.06	243	1,85	22.03	125.85	2289,09
12 Extractive Industries(5)	4153.01	+0.8	4119.02	4128.26	4243.89	3.41	2.41	1.88	19.52	139.41	1279,99
15 Oil, Integrated(3)	5448.56	-1.1	5511.44	5500.54	3970.82	3.16	2.55	1.82	21.68	184,75	2526,28
15 Oil Exploration & Prod(12)	3818.82	+02	3811.87	3808.22	2968.74	1_52	1.26	2.35	34.94	52.19	2348.56
20 GEN INDUSTRIALSPREY	2184,78	+0.3	2158.02	2155,40	2110.84	3.62	3.04	1.94	17.81	58.39	1247,15
21 Building & Construction(35)	1400.97	+0.9	1388.98	1391.75	1194.78	3.26	2.63	2.28	16.76	35.49	1227.87
22 Building Matts & Merchs(30)	1844.45	+0.7	1832.36	1538.47	1977,54	4.31	3.50	1,89	15.40	55.26	982.02
23 Chemicals(26)	2724.35	-0.1	2728.38	2747.20	2534.84	273	3.1D	1.54	20.48	78.26	1365.95
24 Diversified Industrials [15]	1582.17	+0.7	1551.58	1542.22	1579.05	4.45	4.11	2.42	11.61	60.84	941.39
25 Electronic & Elect Equip(37)	2237,88	+1.5	2204,69	2223.13	2405.77	3.65	2.05	1.85	20.69	51.93	1218.61
26 Engineering(85)	<b>2982.2</b> 3	+0.2	2977.55	2957.37	2649.63	2.89	2.35	2.45	18.05	59.38	1887.56
27 Engineering, Vehicles(13)	3882.04	-22	3765.1S	3718.29	3282.84	2.53	211	#	#	76.20	1995.40
28 Paper, Polig & Printing(27)	2356.95	+0,4	2348.27	2343.80	2673.86	4.38	3.60	· 1.88	14.44	76.63	1039.13
29 Textiles & Apperei(14)	1082.96	+1.3	1068.62	1072.74	1184.71	6.21	5.15	1.17	17.14	47.52	716.68
30 CONSUMER GOODS(15)	4795.B3	+1.4	4730,14	4730.44	3771.01	3.10	2.68	1.69	21,37	123,74	1868.42
\$2 Alcoholic Boverages(?)	3357.09	+1.4	3311.92	3309.65	2301.88	3.71	3.18	2.02	16.57	101,52	1285.92
33 Food Producers(25)	3129.70	+1.2	3091,84	3110.13	2554.00	3.44	2.81	1.88	19.29	77.31	1487.56
34 Household Goods(17)	3125.02	+0.1	3120.71	\$169,07	2705.57	3.21	260	245	15.93	59.29	1287.03
35 Health Care(14)	2281,87	+0.3	2254.87	2251.92	2047.58	2.57	2.22	1.75	26.81:	42.63	1424,63
37 Pharmaceuticats(18)	7937.93	+1.4	7828.75	7800.93	5884,15	2.21	1.96	1.81	31.11	162.93	2808.28
38 Tobacco(3)	4483.71	+24	4380,20	4404.48	3671.58	6.28	5.55	1.65	10.78	240,05	1219.51
40 SERVICES(270)	2875.03	+0.3	2855.40	2875.99	2581.23	2.82	2.27	2.05	21.67	61.46	1580.05
41 Distributors(SO)	2855.41	-0.1	2858.24	2865.78	2825.49	3.26	2.66	1.98	19.37	69.87	1101.54
42 Letsure & Hotels(31)	3326.92	-0.6	3347.01	3343.59	\$153.00	2.82	225	1.98	22.40	83.52	1855.27
43 Mecha(41)	4308,48	+0.7	KZTT AB	4284,24	4397 27	2.36	1.95	1.93	27.38	80,22	1611.25
44 Retisiers, Food(15)	2615.14		2615.08	2651.50	1944.72	3.20	2.53	227	17.19	60.20	1751.92
45 Retailers, General(53)	2364.59	+0.7	2348.45	2355.25	2134.38	3,02	2.42	2.15	19.15	54.71	1417.37
47 Brewaries, Pubs & Pest.(22)	3318.46	+0.1	3315.62	3321.90	3115.01	3.42	2.74	2.29	15.97	63.47	1880.12
48 Support Services(55)	3373.88	+0.4	3361.46	3379.39	2561.41	1.55	1.24	273	29.45	37.10	2205.1%
49 Transport(23)	3058,44	+0.3	3049,33	3054.52	25726	3,29	2.65	1.40	<u>27.20</u>	73.64	1341,55
60 UTILMES(82)	3191.42	+0.3	3182.76	3187.72	2289.52	4.38	3.50	1.48	19.29	77,35	1485.59
62 Sectricity(9)	3644.92	+0.6	3624,85	3569.Bt	2361.08	4.87	3.90	2.01	12.76	116.63	2074.17
64 Gas Distribution(2)	2439.25	+1.D	2414.01	2417.37	1335.47	4,17	3.34	#	#		1361.11
88 Telecommunications(9)	2383.58	_	2384.14	3422.48	1945.32	3.82	3.06	1.50	. 21,78	44,68	1146.68
88 Water(12)	3124,14	-	3124.55	3087.54	2181.83	5,31	4.25	2.27	10.38	90.96	1876.76
69 HON-FINANCIAL STREET	2449.27	+0.4	2439,47	2441.54	2063.19	3.29	2.70	1.88	20,46	59.31	1860.61
70 FMANCIALS(105)	4980.56	+0.5	4855,75	4953.53	S208.19	2.97	240	2.42	17.39	124.85	2266.01
71 Benks, Retail(11)	7746.23	+0.6	7686.43	7708.49	4606,77	2.70	2.18	2.53	18.26	184.45	2671.74
73 Insurance(17)	2040,73	-0.7	2054.72	2021.55	1491.45	4.32	3.56	2:86	10.11	75.57	1649.87
74 Life Assurance(3)	5405.91	+0.3	5391.17	5387.00	3865.84	3.37	2.77	2.30	.16.12	145.55	2372.58
77 Other Financial(27)	3452.12	+0.8	3431,34	3424.04	2657.64	3.12	2.54	200	2007		2088.17
79 Property(42)	2110.27	+0.8	2092.B3	2006.55	1681.52	3.11	2.49	1,34	30.05	39.46	1360.66
80 INVESTMENT TRUSTS(127)	3594.14	+0.4	3580.24	3578.08	3216.41	211	1.70	1.17	50.69.	52.60	1293.17
89 FISE All-Share(901)	2455.02	+0.4	2444.60	2445.86	1960.67	3.17	2.60	1.58	19.94	59.29	2188.50
105 FTSE All-Share ox TT074	2458.24	+0.4	2447.79	2449.12		3.20	2.63	1.99	19.57		1127.91
FTSE Flectoling	1287.44	+0.4	1292 92		1236.90					_	
FISE Fledgling ex IT	1289.52	+0.4	1284.89	1281,07	1250.20	3.19	2.55	- 1.05	37.51		1402.59
				1283,62	- VALUES		2.83	1.05			1408.10
FTSE AIM	1003.8	-1,5	1018.4	1018.4	-	1.05	о́вз	0.50	80.001	5.18	922.28
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FISE 100	6226.0	5238.3	5217.2	5231,0	5242.5	5265.9	5282.7	5238.2	5237,1	5289.2	5202.0
FTSE 250	4820.6	4825.0	4819.9	4819.0	4819.9	4821.1	4823.3	4824,9	4828.7	4829.0	4818.0
FTSE 350	2508.3	2512.7	2504.8	2510.1	2514.6	2523.8	2522.8	2513.4	2513.4	2525.2	2501.7
FTSE SmallCap	2326.85	2327.62	2327.54	2827.98	2328.50	2330.32	2331.52	2332.65	2334.55	2334.99	2326.85
FTSE All-Share	2447.18	2451.31	2444.04	2448.90	2453.10	2461.63	2480.78	2452.28	2457.38	2462.90	2441.22
Time of FTSE 100 II	Dey's high: 1 Tare Dey's hi	:15 PM De	y's low: 9: M Day's ic	46 AM. FT	SE 100 190 4. FTSE AL	77 High: 62 -Share 199	1442 (300) 17 High: 24	997) Low; 65,02 (904)	4058.6 (10 1047) Leve	01/97) 1989.78 4	22/01/97)
Purther information of FTSE internation	n is availab	de on http	://www.ti	38.GOTT							



Iorma Ollila, President and Chief Executive Officer of Nokia Corporation, received the Award for the chief executive of a company headquartered in the developed world whose expansion into emerging markets has best shown how these markets can produce benefits for both the countries involved and the corporation in question.

Francisco Sánchez-Loaeza, Chairman and Chief Executive Officer of Panamerican Beverages was elected winner of the Award for the chief executive of a corporation headquartered in the world's emerging economies whose vision and company performance has best shown the pattern that can be offered as a model to other emerging markets companies around the world.

The Emerging Markets CEO of the Year Awards were established in 1994 to acknowledge excellence in the world's fastest growing markets. Since then, International Media Partners and ING Barings have been honored to present this prestigious award to business leaders who have displayed vision in the development of their business in emerging markets.

Nominations for the Awards were solicited from around the world and the elections were made by an independent Selection Committee comprising: Percy Barnevik, ABB Asea Brown Boveri, John Browne, British Petroleum, Don Christiansen, KPMG International, L. Enrique Garcia, Corporacion Andina De Fomento, John Kay, School of Management, University of Oxford, Jacques Kemp, ING Barings,



Grzegorz W. Kolodko, Former First Deputy Premier and Minister of Finance, Poland, Mark Mobius, Templeton Internacional, Rubens Ricupero, United Nations Conference on Trade and Development, Eka Tjipta Widjaja, Sinar Mas Group.

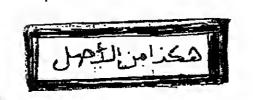
The Awards were presented at a gala Awards Dinner during the IMF/World Bank annual meeting in Hong Kong on 22 September

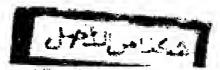
1997. IMP and ING Bariogs are delighted to have such worthy recipients for the 1997 Awards and look forward to continuing the tradition in 1998.

For winners' citations and more information about the awards, contact Richard Burns, President of International Media Partners at 611 Broadway, Suite 300, New York, NY 10012. Fax: +1 212 598 0788









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	FENANCIAL TIMES WEDNESDAY OCTOBER 1 1997 *
	Highs & Lows shown on a 52 week basis WORLD STOCK MARKETS
	Company   Comp
	Act
	### 1985 - 1985
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	FT/S&P ACTUARIES WORLD INDICES    Formal Section   Figure   Figure
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151, M. Tol 对外的对象分析,我们每日内心和开关,这些有一种的重要的,我有重要不同企图,我们是这一种的一种的,这种是这种的,我们就是一种的,我们就是一种的,我们就是一种的,我们 THE PROPERTY OF THE PROPERTY O

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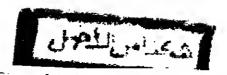
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٠ 	FINANCIAL TIMES WEDNESDAY OCTOBER 1 1997	*	41
		GLOBAL EQUI	TY MARKETS
	US INDICES  US DATA  Dow Januar Sip Std Sp 1897 Stds compiling MARKET ACTIVITY	Dow Jones	JAPAN FRANCE
		NYSE Sep 29 Sep 26 Sep 25 8100	30 29 26 High Low High Low 30 29 28 High Low High Low 1864h Low 18
?	Hone Bonds 104.26 TOK.06 104.04 104.70 101.03 104.70 54.99 Amer 27.258 28.7	26 Sep 25 Imags Traded 3,411 3,389 3,394 194 525,300 Riens 1,551 1,745 1,363 Riens 1,251 1,054 1,487 192 30,382 Unchanged 547 590 534 New Highs 263 223 219 19 748,082 New Lines 16 13 15 2000	# TOKYO TRADING ACTIVITY Volume: 395,000,000 # PARIS TRADING ACTIVITY Volume: 353,819,300 # ACTIVE STOCKS # RIGGEST MOVERS
	Usings 239.55 239.561 239.08 262.02 289.47 259.46 18.53		Tuesday Stocks Close Day's Teasday Close Day's Teasday price change price change close price change close to teasd price change close to teasd price change close to the price change change close to th
	Day's high 7695.00 (1920.01) Low 7852.00 (7855.00) (Theoretically)  Buy's high 7695.00 (1920.01) Low 7852.45 (7840.13) (Achaeld)  Standard and Poore:  Monthly Stocks Circ	R RIGGEST MOVERS	Mogros 51   7,509,000   299 -1   Incl. Street   139   472   416.7   Incl. Street   119.9   40.1   Garbon Galeta   391,0   428.9   48.7
	Miles   1115.04   1105.32   1007.79   1130.78   285.42   1107.78   2	to change orbs change chips % 7700 M. +12 Up: 1 -04 Versado 5 86% +154 +21.0 77000 M. +10.0 M	Number   Sec 4,422,000   1570   -10   Toke   Set   146   -39   -21.1   Lagardere   783,166   188.2   +2.3   Scar Delmas   1175.0   -125.0   -8.6
٠.	712.15 111.50 110.07. 112.55 80.75 112.55 7.13 Photos 4.262.240 41 (220) (21) (220) (21) (220) (4.070) Referred 4.064.800 41	4 +1 Dates Sta 441 +3 +72 22 23 24 2 4 +1 Testen 414 +21 +8.9 Sep	5 26 29 30 Tourista Dy 3,640,000 512 -21
	MTSE Cores: 498.98 495.20 491.52 488.18 388.47 489.16 AE T 1.520.300 45 454.68 (2278) (11/4) (22/9/87) (25/4/42) Thursdays 2,981,000 68.	-14 Notes 314 -34 -93 Francisco	Sep Sep Sep 1997 Shoe compilation Sep Sep 1997 Slace compilation 30 29 26 High Low High Low
. · .,	299 (294) (29987) (15786) H MASDAG TRADING /	MCTIVITY Volume :646,183,000 980	DAX 4167.85 4104.27 4080.78 4458.43 2648.77 4084.83 991.18 F7SE 100 5244.2 520.3 5226.3 5246.0 4056.60 5244.2 996.9  ### FRANK-PURT TRADING ACTIVITY Volume: 8,968,227 ### LONDON TRADING ACTIVITY Volume: 984,000,000  #### ACTIVE STOCKS ### BIGGEST MOVERS
	Number 2000 451.21 448.98 447.02 451.21 335.85 451.21 122.35 Nonday Stocks Cler (2979) (25/4) (29/9/57) (7/12/93) Stocks Cler (29/9/57) (7/12/93) Atomot Cr. 7.174.200 359	se Day's Monday Close Day's Day's 980	1 Ucaday Stocks Clamb Day's Teastry Class Day's Touristy Stocks Class Day's Teastry Class Day's Day's traded price change
	RAYTOS   Intel   8,396,500 97   Teln Cm   6,119,100 23   6,119,100 23   6,175,000 100   6,175,000	M +24 SM Marco 184 +34 +20.1 940	Liditiansa 85.150 34.8 +0.9 Baunch 45.8 +3.6 +3.0 Bauton 47,145,080 2% -16 Liditians 27.0 +2.0 +8.0 Appropria 18,281,745 54 -4 Liditians 47,145,080 2% -16 Liditians 47,14
	Sep 24 Sep 17 Sep 10 Year ago Three Ca	76 -14 Dearts 14 +15 Kinefer 20 -3 -13.0 9201 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Domes  11_50 Sales
	22.54 Chem 4,488,500 481	4 +115 Agourou Plan 464 -41 -8.5	Security State 274,785 39.0 -0.02 Health 1318 -4.0 -3.0 ETR 10,706,240 2514 +3 Plant Tech 5214 -7 -11.8
	INDEX FUTURES  Open Littlet Change High Low Est vol.	Open int. Open SettPrice Change	High Low Est. vol. Open int. Open SettPrice Change High Low Sst. vol. Open int.
	Dec 981.50 980.15 -1.60 952.95 960.05 50.228 Mar - 972.05 - 175  M Mildel 225 Open Set price Change High Low Est. vol.	184,878 Sep 3008.0 3008.5 +16.5 3,017 Oct 3012.5 3013.0 +16.5 Open int. # BAX	3023.0 3005.0 23.591 23.190 Oct 2622.00 2617.00 +9.00 2637.75 2614.00 3,496 22,716 3030.0 3007.0 20.858 32.582 <b>3</b> SOFFEX
	Dec 17960.0 17750.0 -210.0 18080.0 17750.0 18,882 Mer 17840.0 17910.0 +130.0 17910.0 17840.0 2 Open provent figures for previous day.	169,234 Dec 4182.0 4183.5 +34.0 7,692 Mer 4210.5 4219.0 +29.5	4207.5 4148.0 14,976 59,748 4232.5 4210.5 78 2,403
	WORLD MARKETS AT A GLANCE	I.M.	
	30 29 25 High Law	PE         Country         Index         Shp         Sep         Sep           30         29         26           20.8         Namegery         Box         7692.80         7592.20         7514.10         8	1997 1997 ½ Yeard ½ P.F. Country Index Sep Sep Sep 1997 1997 ½ Yeard ½ P.F. High Lawr 26 High Lawr 17402.8 17403.9 14603.0 182 14621.60 6/1 1.35 12.2
	Ambrulla NI Outlandes 2786.5 2774.6 2775.6 2776.20 2579 2562.20 1,4 3.28 All Making 793.3 780.2 782.6 987.59 24/2 755.00 18/9	Stress haled to respond to positive economic data as investors tretted about 18.5 leetin BSE Suns. 3602.03 3012.83 3025.54 4	
	Shares surrendered only gains after stronger Stirr expected retail and housing data objects of books.  Aunifel Crycle Micina 463.20 459.56 458.14 498.82 1/8 374.40 9/1 1.85  Timiled laters 1423.77 1413.83 1413.85 1480.49 31/7 1138.22 9/1	Shows backed quietly about of this receipts minor reconscisions.  16.8 Industria Jaigna Corop. 546.69 546.24 546.52  Shares Grahad that after the repiatr's continued westures object back early	States filed as Persigni Telecom rises to a least of-time high.  40.83 8/7 479.01 2/9 1.52 15.1 Residu RTS 498.42 491.42 580.22 8/8 219.36 6/1 ma ma
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			Excl bords, 2 ind, page List, Finl and Trans, 4 The DJ India theoretical day's highes and lowe are the averages of the highest and lowest prices reacted staring the day by each stack; whereas the actual Debuggingen Total Market Indias, 3 Michaelin, US Indias in youlongby's FT ware for Exp 20, 25 2 24, and we shown in gome millions.  NASDAQ NATIONAL MARKET
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	Stack   Ch.   State   Ch.	## PARKET    A part close September 30	MASDAQ NATIONAL MARKET
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	Part   Supple 27   Teams   Weighted Price of Fill 2017   Towns or Department of the Name	## Approximate 30  ## Mark Law Last Base  ## Mark Law Last Base  ## Mark Law Last Base  ## Approximate 30  #	*** **********************************
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the opportunity to reach

The Greek market, which

recently got a lift from the

award of the 2004 Olympics,

got a further boost from

hopes of lower bond yields.

During the European after-

noon, Wall Street opeoed

nervously ahead of the

result of the Federal Reserve

open market committee

Although few expected the

EMERGING MARKET FOCUS

Seoul stocks

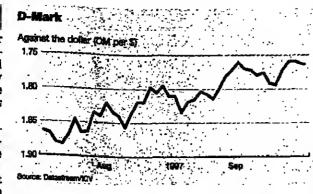
# Strong dollar boosts European markets

#### WORLD OVERVIEW

The strength of the dollar gave a lift to European markets vesterday but with Wall Street drifting lower in early trading, most bourses gave up their best levels, writes Philip Coggan.

Weaker-than-expected Japanese industrial output figures for August set the tone for the day.

Japanese Japanese government bond yields dropped to another record low of 1.86 low for the foreseeable per cent on the back of the future. figures, and the dollar held above the Y120 level as the its reporate unchanged once



The Bundesbank then left markets inevitably specu- again, belping the dollar ally do when the dollar is lated that short-term interest gain ground against the firm. rates in Tokyo would stay D-Mark and other European

moves were fairly limited. but European equity markets took beart, as they usu-

Fed to raise rates, and the day's economic data were largely weak, investor caution was heightened by a couple of profit warnings in Three smaller European the technology sector - from

Helsinki and Madrid - took and Western Digital.

> reached a high for the day of stocks bave benefited from 4,173.90 but then edged down the stronger dollar, smaller to 4.154.89 after the Dow Jones Industrial Average be importers. dropped 50 points in early trading.

port of call for both private investors, who are increasingly being attracted into equities, and for the big international investors.

Scott Evans, European smaller companies specialist at UBS, says that smaller companies have also been hit by the sluggish domestic

insurer rose before profit-

taking pulled the share back

operation with other banks.

SFr190 to SFr12.900.

stock markets - in Athens, Ascend Communications economies of Germany and France and by the fact that, The Ibls-indicated Dax while the big exporting companies are more likely to

In a recent note, NatWest Markets said that "the com-European markets remain bination of poor performance dominated by the larger and improved earnings forestocks which are the first casts has shifted the value criteria in favour of the (European) small cap index".

"The basic industries dommate in terms of their overweighting in the small cap index and they have better growth prospects than the large caps," adds NatWest.

London market, Page 36

# US equities dip as techs turn lower

#### **AMERICAS**

Wall Street locked into a mild sell-off at midsession on attempt. Hilton's stock also the final day of the third quarter as technology and blue chip sbares drifted lower, urites John Labate in

Profits warnings hy Ascend Communications and Western Digital sent a chill through the computer sector. Western Digital, the disk-drive maker, plunged more than 16 per cent or \$8 at \$41 while Ascend's shares plunged 9 per cent to \$32.

Late on Monday, hoth companies announced that they expected earnings for the quarter to fall short of analysts' expectations. Other networking companies also tradad lower as Cisco Systems slid \$% at \$73% and Bay Networks lost \$% at

By 1 pm the Nasdaq Composite index, beavily weighted in technology stocks, was down 4.4 at 1,690,58.

Other indexes also drifted lower. The Dow Jones Industrial Average lost 12.27 at 7,979.16 while the Standard & Poor's 500 index was little changed at 952.72.

Treasury bonds were slightly weaker as the Fed- 292 issues were flat. aral Reserve open market interest rate policy:

Packard slid \$% at \$69% to \$335.90 an ounce. after announcing a new Technology was also lower each while the transportawith a loss of \$11 at \$80%.

Other companies rose strongly. Shares in ITT surged 8 per cent or \$51/4 at C\$1.15 to C\$26.45 and Bema \$67% after Monday's ruling Gold was 80 cents higher at by a Nevada judge blocked C\$7.05.

to \$33%. \$% at \$51% after releasing better than expected quarterly earnings. Other investment banks also benefited, as Donaldson, Lufkin & Jen-

Gold mining shares were higher as Barrick Gold rose 514 at \$24%.

after a report that the telecoms company planned to acquire cable company Brooks Fiber Properties. Brooks' shares rose \$1% at

Steel makers were mostly down as Nucor slid \$11 at \$5211 after announcing a 7 per cent price cut in one of

TORONTO climbed into record territory at midsession as surging bullion prices pushed the heavyweight gold group 5.6 per cent higher.

The TSE 300 composite index rose 42.62 to 5,055.08 in very heavy volume of 71.2m shares, valued at C\$1bn. Advances outweighed declines by 510 to 359 whila

Metals and real estate tion sector lost 1.3 per cent.

activity. Placer Dome rose

strongly in solid two-way 5.71 at 5,275.39. Telmex was trading. Telebras was buoyed by investor enthusiasm for the fortbcoming privatisation issue. The shares jumped 1.4 per cent to R\$141.40. At midsession, the Bovespa index was 128 higher at 11,743.

to build on recent gains. at the opening bell but selling volume was always low and we quickly picked up." said one broker. At midses-

SANTIAGO made a slow start in thin trading volume. Telecoms leader Telex gained 5.00 pesos to 920 pesos, hut the IPSA index was off 0.41 at 127.95 at mid-

CARACAS added 32.62 to 10.478.16 on the IBC index

the company's break-im plan launched soon after Hilton Hotels announced a takeover received a boost, rising \$1%

Lehman Brothers gained

rette rose \$21/2 at 71%.

Worldcom lost \$# at \$35%

The precious metals sector committee met to declde rose to its highest level since June as tha price of Comex Dow member Hewlett- December gold surged \$5.40

Gold miners dominated

### Sao Paulo pushes higher

SAO PAULO pushed ahead sion, the IPC index was up

MEXICO CITY continued "There was a bit of a sell-off

the morning's most active stock, accounting for more than a quarter of total turnover. The sbares added 7 centavos to 20.05 pesos.

A bounce for index beavyweight Philips allowed AMSTERDAM to ignore the dull start on Wall Street and close at its best of the day. The AEX index gained 15.05 or 1.7 per cent to 920. Drugs group Gist Brocades

was the day's top performer, rising Fl 8.20 or 6.1 per cent to F155.70 as the buyers swept in following Monday's shakeout for the shares. The news that the company is to close its Delft penicillin plant also aided sentiment.

But Philips was not far behind, jumping F1 8.50 or 5.3 per cent to Fl 168.40 following upbeat remarks from the electronic giant's management. Sentiment was further boosted hy Morgan Stanley which raised its target price for the shares to FI 200. PolyGram, Philips' entertainment offshoot, added Fl 2.30 at Fl 115.30.

Akzo Nobel gained Fl 7.10 to Fl 340:10 following positive drugs news from the US. Unilever rose Fl 5.10 to Fl 424.80 ahead of next week's run of analysts' pre-

Publishers stayed active. Elsevier rallied 60 cents to Fl 28.90 in 14.3m shares traded. Both Wolters Kluwer and VNU jumped more than 3 per cent, adding F18.00 at Fl 268.40 and Fl 1.70 at F1 46.20 respectively.
FRANKFURT pulled back

from a midsession Dax level of 4.167.85 at the end of floor trade and by the close of late electronic trade, the Ibisindicated Dax was 38,37 higher at 4,154.89 as the mood was dampened by early losses on Wall Street.

spotlight with a fall of DM14.9 to DM830.60 on rumours of a capital rise. In the opposite direction,

Verainshank led gains among blue chips, up DM5.07 to DM103.05 as Goldman rival insurance group GAN. Sachs added the stock to its recommended list. Dresdner Bank rose DM1.19 to DM81.39 ahead of

today's supervisory hoard meeting and Commerzbank picked up DM1 at DM63.75 after announcing that its sbarebolders would be offered new shares at DM52 in the fortbcoming 1-for-14

Among motor stocks, BMW jumped DM11.50 to DM1,493 as Paribas upgraded the issue to buy from hold. Lufthansa ended up 75 pfg at DM35.10 on the second day of the bookhuilding

cent stake. PARIS moved higher in

period for the privatisation of the public sector's 37.5 per

# Philips gains lift Amsterdam

### FTSE Actuaties Share indices National & Regional Markets FYSE Eurotes 100 F7SE Eurotop 300 FISE Barotop 300 E

late trading following the reporting continued with expiry of a range of Septem- news of a 41 per cent rise in

ber derivatives contracts and at the close the CAC 40 index was within a whisker of its best of the session, up 19.30 at 3.008.26.

Retail sbares were husy with trading resuming in bid



target Casino. The shares jumped FFr28.90 or 8.7 per cent to FFr361. Promodès which bad its offer for Casino topped by Rallye on Mannesmann was in the Friday, added FFr4.00 at FFr2.316. Rallye came off FFr24.60 to FFr335.

AGF fell FFr4.00 to FFr235 as investors reacted negatively to the prospect of a bid from the company for Total put on FFr5.00 to FFr679 as it became clear the company has official French and EU backing for its gas investment project in Iran.

Thomson CSF, up more than 11 per cent in six straight sessions, ran into profit-taking. The sbares dipped FFr4.20 to FFr189.3 amid persistent talk that a the ownership of the defence

group was imminent. ZURICH saw early gains in response to encouraging economic data, but the upbeat tone evaporated on late profit-taking and the SMI index turned back from an early 5.763.3 to close 18.2 weaker on the day at 5.673.6. The first-balf corporate

# Nikkei drops below 18,000 level

#### ASIA PACIFIC

A spate of weak economic indicators, including industrial output for August and forecasts for future months. left TOKYO weaker, and the Nikkei-225 index ended below the critical 16,000 level. Reuter reports.

Analysts said that corporate investors had been keen for the Nikkei average to close the first half of the fiscal year above 18,003 points, the level at which the index began on April 1, the start of the fiscal year.

The Nikkei 225 gave up 99.50 to finish at 17,887.71 having traded between 18,053.55 and 17,850.05.

Brokers said that most investors were sidelined ahead of publication today of the Bank of Japan's quar-

terly "tankan" survey. exchange was moderate at 395m shares, down from 419m traded on Monday. Declining issues slightly outnumbered advancers 587 to

543, with 146 unchanged. The Topix index of all first section stocks inched up 2.68 Kong today and tomorrow to points or 0.19 per cent to celebrate China'a national close at 1,388.32. The Nikkei day 300 was up 0.64 at 275.67. in

London, the ISE/Nikkei-50 index fell 2.73 to 1,607.65

Nlppon Credit Bank, the most beavily traded issoe on the TSE's first section at 9.6m shares, rose Y7 to Y182 on news that It and Bankers Trust had agreed on a plan which would give Bankers Trust np to a 4 per cent equity stake in three years. By sector, warehousing,

shipbuilding, oil, precision instruments and air transport headed the list of decliners. The major gainers were fisberies, gas, construction, securities and retailers.

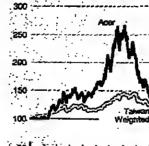
The second section index ended 5.98 points lower at 1,432.92, with 8.6m shares traded. The OTC index was down 6.54 at 905.35.

HONG KONG extended its winning streak to a fifth straight session and a 184.93 rise in the Hang Seng index Volume on the Tokyo to 15,049.30 took the market's rise since last Wednesday to 954.92 points, or 6.8 per cent. Turnover fell to HK\$11.5bn.

Brokers said there was continued buying of bluechip stocks ahead of the two-day holiday in Hong

Among properties, Sun

Acer Share price and Index rebased



Hung Kai Properties rose HK\$1.50 to HK\$91.25 and Cheung Kong HK\$1 to HK\$87. In the banking sector, HSBC rose HK\$4 to HK\$258, and Hang Seng

Bank HK\$1 to HK\$95.25. TAIPEI was hit by an early bout of political uncertainty ahead of next month's local government elections. The weighted index ended down 120.55 or 1.4 per cent at 8,708.83. Turnover remained

marginal at T\$86.9bn. According to brokers, the opening rounds in the local alection campaigns had begun to cast a shadow over investor sentiment. The elec-

tion is set for late November The electronics sector lost 2.8 per cent. Computer giant Acer fell by the daily 7 per cent limit to T\$56. BANGKOK closed lower as

speculation about a cahinet reshuffle gathered pace. The SET index lost 4.94 to 544.54. A cabinet resbuffle is expected shortly, possibly this week. Doubts about any new political line-up depressed sentiment, hrokers said. Bangkok Bank dropped

Bt4 to Bt125 but Siam Com-

mercial added Bt1 at Bt118.

SINGAPORE perked up in light trade, helped hy support from hedge funds, but the overall outlook remained cautious as Malaysia's ringgit kept falling. Traders said foreign funds were moving into Singapore again on the back of Malaysia's currency

volatility. Hedge funds and investors huying haskets accumulated some index-linked stocks. while foreign tranches of local sbares also drew demand from windowdressing ahead of thirdquarter book closings, deal-

The Straits Times Indus-

### tive analysts' studies, which

triggered foreign buying.
Ares-Serono extended its advance on a report that its Rebif beta interferon drug had a positive clinical trial for treatment of multiple sclerosis. The abares were up SFr119 to SFr2,620.

MILAN was pulled back from its best levels on uncer-tainty over whether the government would command enough parliamentary support to pass the 1998 budget. The real-time Mibtel index turned back from a high of 15,974 to close just 54 higher on the day at 15,889.

Credito Italiano rose L256

to a year's high of L4,661 amid speculation the bank net profit at Winterthur. The planned to abolish a limit on shareholder voting rights.

to close SFT18 lower at Written and edited by Michael SF1,421. Its merger partner. CS Group, closed down SFr4 at SFr196.50. Morgan, Jeffrey Brown and

#### Elsewhere among mostly **SOUTH AFRICA** higher financials, SBC went

against the trend with a SFr2 fall to SFr393, but UBS Gold shares soared 5.8 per rose SFr9 to SFr1,699 on cent in Johannesburg as the recurring speculation of cobullion price rose to about \$332.50 an ounce. The gold The pharmaceuticals index jumped 56.1 to 1,025.4 stocks were among the main as Freegold climbed 7 per losers of the day. Novartis cent. Industrials, meanwhile, gained 38.4 to 8.675.9 fell SFr30 to SFr2,230 while Roche certificates gave up on last-minute window dressing by unit trusts Among the smaller stocks ahead of the quarterly clo-Siegfried rose SFr55 to seont. The overall index SFr1,970 on the back of posi- picked up 39 at 7,123.4.

The Secul bourse is testing depths it has not explored since 1992 as the benchmark composite index sinks ever closer to the 600 The threat that Korea

could soon experience its biggest corporate collapse with the bankruptcy of the Kia motor group has turned what had been a modestly bullish market into a severely bearish one. The share index last week fell 7.4 per cent to 629.42, although the market yester-

> 647.11 points on improved economic data. Daspita an economic slowdown, the Seoul market had been staging a recovery until a few weeks ago. This was "fuelled by perceived cheap valuations with the rest of the region and a flight to quality from crumbling markets elsewhere in south-east Asia," said Christopher Wood. global strategist for Pere-

day rebounded strongly to

But problems at Kia renewed fears that more corporata collapses might be on the way in a year that has seen several industrial groups go bust. The wave of bankruptcles has resulted in a rise in interest rates as banks cut back on loans. This has sidelined domestic investors.

grine Brokerage in Hong

Consumer deposits are shrinking. Liquidity could national agencies downgrade their credit ratings for the overstretched banks, which would raise corrowing costs.

Moreover, foreign investors, who have provided much of the market support in recent months, have been withdrawing money that the current economic as the Korean currency sinks against the US dollar. raising prospects of foreign exchange losses. The weak currency is also likely to reduce corpo-

rate earnings, particularly

for the blue-chip stocks

that overseas investors

follow the bears

favour, because of foreign exchange losses on their

overseas debts. The government is studying ways to revive the atock market. It plans to increase the foreign sharebolding ceiling in listed companies to 26 per cent

from 23 per cent. A large initial public offering by state-run Korea Telecom in the domestic market is likaly to be delayed to avoid a liquidity squeeze, although officials are planning to proceed with the flotation of overseas depositary receipts in New York and London later

this month. In another attempt to attract investment funds, the government is hoping to sign a double-taxation treaty with Japan to remove a capital gains tax that has largely kept Tokyo

be squeezed further if inter- investors out of the market. Economic recovery ls providing one ray of hope with exports improving on the back of currency weakness. But a revival in growth could be choked by higher interest rates if the

Kia group goes under. Some analysts are hoping woes might force the government to undertake economic reforms, including financial liberalisation. That would be the strongest incentive to bring back foreign investors.

Jack Burton

# CHASE

When the City of Buenos Aires wanted to win over international investors

# Chase was elected

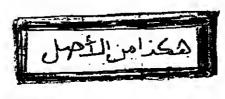
The City of Buenos Aires tapped Chase's expertise in emerging markets to structure and place \$500 million in international bonds - the City's debut in cross-border capital raising. The financing was a customized solution executed across three separate markets - Eurodollar, Eurolira and Argentine peso.



"Our first cross-border offerings were an impressive introduction of-Buenos Aires to investors around the world. Chase's track record in emerging markets and their network of global investors were key to our success."



CHASE. The right relationship is everything.







interview View from the top: Charles Wang, chairman of Computer Associates



This month's focus Logistics - IT and the supply chain: Catalyst for change

FINANCIAL TIMES REVIEW



New directions Managing ... information: Imperatives for business

Software at work Java software industry: The battle hots up

Pages 10-11

# Information Technology

Wednesday October 1 1997

ew, if any, big compa-nies operate today in a straightforward or simple computer systems environment. Most rely on a hotchpotch of data processing and network equipment, operating systems and application software, stitched together over the years.

Technological advances. IT fashions and mergers and acquisitions have all played their part in shaping most large corporate IT systema. "Businesses ara going global and there is a tremendous amount of mergers and acquisitions," says Martin Neath, a senior vice president at IBM's Tivoli unit, "that means companies need global networks to run their operations. No-one has a homogeneous environment, usu-

ally you have one of everything." As a result, many IT departments are fire-fighting operations, lurching from crisis to crisis in an attempt to maintain the IT systems upon which businesses now depend.

It was not always this way. In the days of mainframe machines. managing corporate computer systems was a relatively easy sk: responsibilities were clearly defined and business managers readily understood the implications of systems downtime or fail-

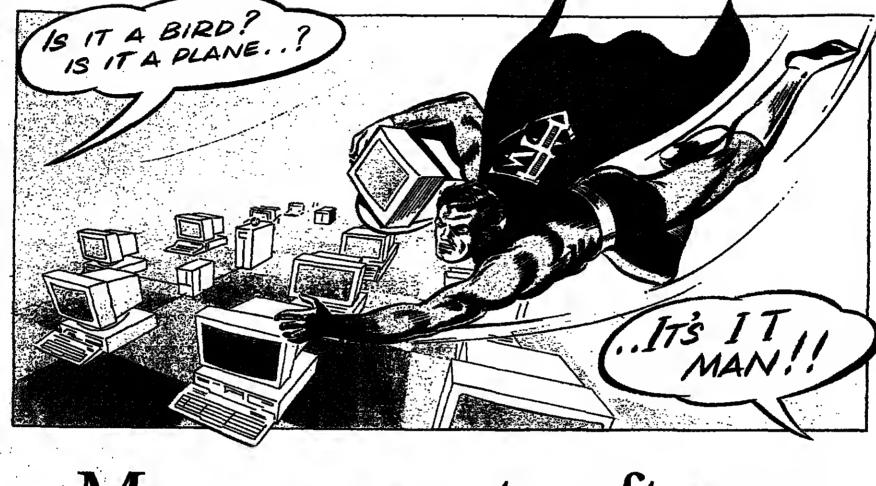
But traditional mainframe systems built around proprietary technologies were however, inflexible and expensive. Meanwhile, other forces were flattening' business atructures and changing the information needs of employees, requiring corporate departments and project teams to have access to traditionally centralised pools of data.

Together, these factors helped usher in the era of client/server computing, comprising desktop PCs, servers, complex network systems and a wide range of operating systems and applicaand other host-based systems where a software application for example, a payroll system hardware and just one operating system, distributed chent/server computing can involve many combinations of hardware and

Today's desktop PCs and PC servers are, hi themselves, highly complex and, as many PC owners know only too well, difficult to configure: Networks comprise many separate physical devices, including interface cards, switches, bridges and routers. On top of that, there will probably be a variety of servers, applications and database management systems spread across an organi-

As Paul Mason, an analyst with International Data Corporation noted in a recent report: The client/server revolution has brought with it many benefits, including easier access to data, rapid response to new business initiatives, and greater ease-of-

use for tha user. "But it has also introduced a set of problems of ita own because the greater level of com-plexity involved has reduced reliability, maintainability and availability below the levels that were typical of maintrama applica-



# Management software comes to the rescue

Today's complex networks and computer systems are difficult and costly to manage, but enterprise management software is easing the problem, reports Paul Taylor

software fail to deliver their full value - and business managers are often unaware of the root cause of the shortfall. Another consequence of this complexity is that the size of IT departments has had to expand dramatically to cope with system problems and help-desk requests.

In a study designed to measure the potential benefits of so called 'enterprise management tools', IDC discovered that the average company with \$3bn in annual revenues and 9,000 employees needs about 500 IT professionals to look after the typical 4,300 desktops and 470 servers spread over 40 sites which such a company will have.

"Cost becomes a major issue," says Frank Moss, chief executive of Tivoli. Companies and their IT departments have responded to these challenges by investing increasing large aums in distributed system and network management tools which are designed to restore the balance between centralised and distributed systems, and return control

to IT managers.
Estimates for the size of the worldwide market for manage-

ment software - is probably worth between \$6bn and \$7bn year and is growing rapidly. Within this, the market for distributed management tools is

Tivoli's approach towards the distributed systems management issue is to provide a basic management control package together with a limited range of probably worth more than \$2bn,

software companies can be plugged. Tivoli's TME10 package integrates closely with other leading point tool software from

companies such as Platinum, Remedy and BMC. Supporters of

These handicaps also mean ment tool software vary substan-hat IT systems and applications tially. However, the market — growing use of distributed 'hooks' into which other specific it enables companies to mix-and-oftware fail to deliver their full including mainframe manage- systems and Windowa NT, ha or 'point' tools from independent match management tools such as security and anti-virus packages. network management software and software deployment tools

> The alternative approach, adopted by Tivoli's arch-rival. Computer Associates, is to provide a complete set of closely integrated tools in one 'juggernaught' package. CA's heritage in the mainframe software world ensured that it built np a nearly full set of system management tools - many through acquisition which it brought together in a package called CA Unicenter.

In its latest incarnation, CA Unicenter TNG (The Next Generation) enables systems managers to manage all their IT resources including heterogeneous networks, systems, applications and databases. CA, which has even demonstrated Unicenter TNG managing vending machines and antomated teller machines (ATMs), claims it is "the only fully integrated mangement solution."

To run an anterprisa, you must have one way to manage it: platforms, all different 'rellgions'," insists CA's chief executive, Charles Wang.

One unusual feature of the software is that it includes a 3-D virtual reality-style user-interface which enables users, particularly business managers, as opposed to IT professionals, to see where problems are developing within enterprise systems.

Among recent companies to choose the CA software are Britain's Marks & Spencer retail chain, where IT managers hope the 3-D interface will belp business managers understand what

systems management is and does Both the framework and the integrated approaches to enterprise management have their supporters. "Customers like to purchase individual 'point tools', but they are also saying increasingly that they want to deal with just one or two partners," says Chip McAvoy of Platinum. For this reason, Platinum is testing a new integrated package of system management tools itself.

IDC's atudy concluded definitively that, "by deploying integrated management tools such as CA's Unicenter, the valuable savings garnered through improvements in availability, management efficiency and productivity can cover the cost of purchasing and deploying these tools in a very short time.'

The market research firm calculated that the total annual savings resulting from using integrated management software averaged more than \$500,000 per 100 users over a five-year period. These savings included those attributed to minimising downtime that fell from around 6 per cent to 1 per cent. Sizeable savings were also made by reducing the time spent upgrading or replacing desktop software.

Perhaps equally significantly, IDC's Paul Mason suggests, along with M&S, that integrated system break down the barriers between business managers and IT departments. "By creating an environment that uses the same presentation for every platform from PCs to the mainframe, including Unix and Windows NT. Computer Associates has made it simple for staff to manage the business, rather than the systems."

Forrester Research says, bowever, that "large companies have been partial to the Tivoli framework because of its openness and integration with third-party tools. CA intends to even the playing field with its frame-

Meanwhile, there is also a growing momentum behind Webhased management standards CA has already announced its commitment to Web technologies and other management tools vendors are expected to follow suit. "This consensus will ensure that next-generation tools from all books," says Forrester.

"Frameworks and Web stan-dards maan customers will be able to integrate best-of-breed management tools to build moducritical applications environ-ments. By 2000, modular, standards-based systems from CA and Tivoli will interoperate - not just

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INTERVIEW . Paul Taylor talks with Chartes Wang, chairman of Computer Associates

# IT wars: why the fighting has to stop

If there were a peace prize for the IT industry, Charles Wang, chairman and chief executive of Computer Associates, would certainly have staked his claim to it

wars' between rival software and hardware vendors are damaging the credibility of the IT industry and slowing down the uptake of new technology.

"I think when you look out at the industry landscape, there is a recognition that the use of IT gives a tremendous competitive advantage," he says. "So we, as technology providers, really have to stop all these religious wars and start to provide value because if we don't, we are going to continue to turn business people

Mr Wang, a Cobol mainframe programmer who cofounded CA in New York 21 years ago and has since built the group into the leading enterprise business software company with \$4bn of revenues last year, should know.

In the real business world, be says, companies use a wide range of software and hardware. "If you continue to think about dominating one platform [a computer standard] and believing that one platform is going to sweep everything else aside. I think that kind of religious war is turning people off. It becomes personality-driven. And some times it becomes

very bitter.
"Furthermore, Sun Microsystems against Microsoft, Larry [Ellison, chairman of Oracle] against Bill [Gates, chairman of Microsoft] nobody needs that."

But despite his concerns, he says such inter-company sniping is far from abating. For example, be says, "I think if you ask Bill, he will tell you Java is just a pro-

harles Wang believes you ask Scott [McNealy, that the 'religious chairman of Sun Microsyschairman of Sun Microsysthe evil giant dominate us all ... I think it's unfortunate: the opportunities are far greater than all of the rhetoric that everyone seems

to subscribe to." Perhaps his catholic views owe something to his varied childhood background. Charles Wang was born in Shanghai in 1944, the second of three sons of a Supreme Court judge. The family was expelled from China in 1949 during the Communist revolution. Charles grew up in the US, working in his family' grocery shop before

becoming a software pro-

grammer and entrepreceur.

As the leading business software company, CA's software must operate with just about every operating system and hardware platform. He says CA is "agnostic" about the hardware and operating systems it works with, emphasising instead that the more important issue is to ensure that the client has the hest software available and sees a return

on the IT investment.

"Clients have both or three or four or even five platforms," says Mr Wang, "so if we are going to drive down the cost of IT and to make sure it provides a good return, we have to make sure that the way he manages IT, the way he builds applications, the way be deploys them, cuts across all the platforms. Otherwise you become so platform specific that the cost would take IT

right through the roof." Thus, while the CA chair-

just one of several alterna- crazy.' Now, of course, you tives. "I think NT is a very good system and it has a tremendous niche. It is obviously being adopted by many, many enterprises and I think it is a good alternative, but it is only one altertems], he says we cannot let native. Unix is very strong too, so is the whole world of NetWare, those are all

strong alternatives." Mr Wang says corporate customers do not necessarily want choices, but says that in the real world, they

the emergence of the Interalready have them. "To tell net as a technology platform them: 'Now drop everything should he embraced by com-Inter-company sniping is far from abating, says Charles Wang. 'We as technology providers cannot be perceived by clients to be working at

'obsoleting' everything every

four or five years, so that we

that is silly."

panies as part of the overall IT landscape. "We did not and go only to NT - drop everything you've done on Unix and move it to NT,' is emhrace it to say it is exclnsive of everything else, silly. Why can't they co-operwhich is what a lot of people ate and co-exist? Remember that after NT there may be are telling you now," notes another new thing ... and Mr Wang. it's called the Web, the Interenthusiasts have made wild

have new markets'

Then, what do you do, he asks. "Drop everything and go that way? You can't do that. We as technology providers cannot be perceived by clients to be working at 'obsoleting' everything every four or five years, so that we have new markets.

We have been doing that, there is no question about it. We are the same industry that said five years ago that mainframes were dead.

"Today, mainframes are man acknowledges that stronger than ever. We told Microsoft's Windows NT everybody to move to client/ operating system is making eerver. CA was the only

strong gains in the corporate company in the world that is going to happen - period. acquisitions over the years market, he insists it remains said: 'No, you guys are Not even in decades. I think culminating in its purchase there is something social have the companies that say about going shopping that PCs are dead' and that netyou are not going to get with work computers (NCs) are the Web.

the way to go. "So I think we look upon "My feeling is that PCs the Web as another platform aren't dead and NCs will surthat must be supported, vive, too - there is a role for applications built for it, I don't think anyone could both. These days in your managed and so on. For a company like CA it has invented here' syndrome." home you have an oven, a extended tremendously our toaster and a microwave. To reach to our clients. You can think that it is a one or zero issue and make it 'religious', get support through the Web today, we deliver software Similarly, he argues that patches through the Web, we have an intranet now for all our salespeople to get the latest information and quotes for our clients, all through the Internet. You

> and interact with CA through the Web." The CA chairman says the Internet has bad another effect – driving up tha market value of software companies. "Right now, everyone for the internet and that gives a boost to prices which

can sign up for conferences

are very high for companies. "In software, everyone has come out with Internetbased solutions, so the venture capital people are desktop issue only," be throwing money at any insists. "If you continue to start-up that uses the word try and manage every Internet in their prospectus. Therefore, the prices go up. This will shake out though, because not everyone's solution will work and not everyone will end up with a solntion. There is a hiatus."

Nevertheless, Mr Wang the CA chairman takes a believes the trend towards consolidation within the matic view. "I don't think industry will continue. CA that companies should, They are all 'open' of course that kind of paradigm shift itself has made a string of "raise it up one level" and - who would say they are page 11

of Legent, a few years ago. "We constantly work on acquisitions that are not significant enough to make big press announcements, and we always look at new technology. After 66 acquisitions,

he says. There are so many opportunities in the IT world, so much to do, he says. "CA could, by Itself, never cover it all, so let's make use of what has been developed what is out there. Whether we buy it, or interface to it in a seamless way, or can't bny software but you whether we do a licensed technology agreement, we make sure our clients ultimately can get the use of this technology for their

competitive advantage. Mr Wang says total cost-ofownership is another hot issue' for CA's clients. But swears they have something he argues that most companies have missed the point because they look at it as a desktop management issue instead of examining the total cost of ownership at an enterprise level. "It is not a try and manage every resource within the confines of who-provides-what...you are not serving the client who says, I have to take my total cost of enterprise technology - IT infrastructure -

> Instead of adopting a fragmented approach to cost-ofownership, Mr Wang argues

accuse me of having a not

Wang: 'Consolidation within the industry will continue'

manage IT systems in a uni- closed? That's the silliest form way. This, he claims is thing in the world, but how what CA's flagship product, CA Unicenter, does.

We are in the best position because we don't own one platform: all of the individual platform providers have their own axe to grind, I don't care what they say.

'open' are they when it isn't strategic for them?"

☐ The Java software incustry: clash over the key to the future of computing see report on page 10. ☐ Taking the pain out of software development: see

PROFILE . Joia Shillingford meets Pierre Bonelli, head of Sema, the European software and services group

# From silicon to software

In his 21 years at Sema, Pierre Bonelli has grown the company from 100 staff to Europe's third biggest software and services supplier, with 15,000 staff in 19 countries

French bead of a European IT company, Pierre Bonelli of Sema Sema has 12 years' US experience. Texas Instruments (TD) after graduating from Harvard He was promoted to chair-Business School - and man and chief executive offibefore that, the Ecole Poly- cer, becoming CEO of Sema technique. An engineer by Group, when it was formed training, be enjoyed the semiconductor industry.

While some Internet

claims such as predicting

that stores will vanish to be

replaced by Web shopping.

more cautious and prag-

"I'm still a silicon man, deep down," he says. At TI, he worked alongside Eckhard Pfeiffer - now chief executive of Compaq - and came into contact with Bob Noyce, co-founder of Intel, whom be describes as "one of the great men of the century." In fact. Mr Bonelli still has an involvement with semiconductors through his seat on the

board of US chip company, In many ways his years at TI have shaped his view of business and of the information technology industry. "It was very austere, very Texas', when I was there,"

he says. "I like that." "Or perhaps they did a good job on me," be says, tongue-in-cheek. "Carpets were forbidden. And there was a culture of financial conservativenese, of doing what you say you will."

But at the age of 36, having become vice president in charge of TI's US digital circuits division, he decided to return to France. "In Europe, if you work for a US company, you can't be part of the nomenclature [ruling bureaucracy]," he says.

"At that time, I thought 1 was at the peak of my potential," comments Mr Bonelli, now 55. "I remember telling the then bead of Banque Paribas that I could offer the best years of my life: 36-40. Today, I know 36 is not the beight of maturity - he must

nusually for the have thought I was a nut." Clearly not. Paribas hired him as general manager of (then called Sema.Matra) a venture He began his career at funded by the bank since 1958 (wben it was La Sema). after Sema.Matra and CAP

> Group merged. "What I saw in Sema was having much more freedom to develop my own ideas, he says. "I realised et that time - 1976 - that computer hardware was not a good field to be in But I felt that I could develop Sema into something major in software and systems. I saw an opportunity to implement a lot of the things I had learned at

Yet Sema presented Mr Bonelli with two of the biggest challenges of his career. "First, I had to transform it from a loosely managed, leta-100-flowers bloom type of company into an austere, of business are systems intedisciplined group of citizens," says Mr Bonelli.

hat, he says, was "the most difficult thing, because Sema wasn't

"The second challenge was to develop a strategic vision rather than just responding to opportunistic events. Here it helps to have instilled the right values of order and so on. But then you have the opposite problem of how to create room for the creativity that must inspire the

"The unfortunate thing is that creativity does not work by decree. So I have to make sure that the mavericks who tend to be more creative are tolerated."

Sema works very much through strategic plans and is in the process of working finance, the public sector,

we have developed a very balanced portfolio by product and by country," says Mr Bonelli, who was awarded

the Legion d'Honneur for his

contribution to industry in The company's main areas gration, outsourcing, consultancy and software products, such as billing systems for telecom companies. It bas also been building up a large portfolio of intellectual property rights over the last

It has been highly acquisitive since tha early 1990s and now has 15,000 staff in 19 countries. Last year it became the third largest software and services company in Europe, with activities in more than 110 locations worldwide. Mr Bonelli is emphatic that the company, which had 1996 revenues of £927m and after-tax profits of £37m, won't slow down. "It has to keep growing and growing profitably,"

Key market sectors for the company are defence,

on the next one. "Most of telecoms, service, energy our European competitors and manufacturing. Collechave got into difficulties, but tively, it expects them to generate turnover in excess

of £1bn this year. A restructuring in July will enable it to increase its market share in the US. where until recently it was viewed under the Glass Steagall Act as a bank and restricted from selling certain producte. This was because the Paribas banking group was the controlling shareholder of Financière Sema (co-owned by France Télécom), which in turn owned 41.17 per cent of

Paribas and France Telecom have now swapped their stakes in Financière Sema for direct holdings. France Télécom bas 22.6 per cent and Paribas has 20 per cent; the rest of Sema's shares are publicly held in Paris and London.

rom September 4,

Sema has been eble to approach. operate fully in the US. It expects the first opportunities to come in selling hillhas a strong position interalso expects some of its European outsourcing customers with offices in the US to use its services there. Longer-term, "we will acquisition to become signif been available before." icant in the US," says, Mr

ware." opportunities, not just in the US, but everywhere.

"The advent of electronic commerce, due to the availability and ubiquity of the web, is a real change," he says. "It will lead to so many . alliances. For a company such as Sema, which develops systems, the advent of mean that we need to become an operator."

What Mr Bonelli means by being an operator is not just building and maintaining a system for someone else, but operating it as well and taking a share of the revenues. This could mean running an electronic commerce system on the internet, getting paid by the bill when it installs billing systems (as it does in a few contracts), or taking a share of revenues from call centres it huilds.

THE WO

THE PARTY OF

He believes that another big shift in the industry is to do with the - way that systems are developed. "Today, there are so many ways of implementing technology, that we can help a company build a system around its values or way of working, says Mr Bonelli. Once the choice was more rigid, he points out. Either you went for the mainframe, centralised approach, or the PC-based decentralised

"Now you can put intelligence on the network (as with network computers), or ing systems for digital on the terminal (as with mobile networks, where it 'PCsl. I like austerity and order, so the network comnationally. The company puter would fit my values better. A group of mavericks prefers PCs. Or you can keep the intelligence at the centre, and distribute it at will in an intelligent way - this have to proceed through an level of choice has never

But why choose Bonelli. "We'll most likely Anglo-French Sema to build look for a company in a system round your values? systems integration or soft. Mr Bonelli claims that in ware." French and UK surveys it Mr Bonelli believes that has been shown to underchanges in the computer stand the European cusindustry are creating buge, tomer better than US rivals such as EDS, and it has no distinct nationality, enabling it to integrate acquisitions effectively....

We give meaning to the bandwidth and the silicon." says Mr Bonelli. "It's a big responsibility."....

Managing information: see electronic commerce may reports on pages 8 and 9.



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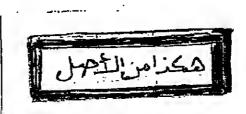
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### **Finalists** announced

Finalists in the competition to find the FT Business Weh Sita of the Year are announced today.

The FT-IT Review has been looking for organisations which use their web site to achieve commercial advantage in their particular market and can display evidence of business transformation, innovation and measurabla financial benefits.

The competition is spon-sored by UUNET UK. Europe's largest Internet ser-vice provider. The winners will he announced at an awards ceremony next month and full details will appear in the FT-IT Review. The finalists are as fol-

□ Large organisations, (excluding those in the finance sector):

BMW; Lufthansa Airlines; Electrolux; Cisco; Exide Electronics; Tesco; BP; Yell. ☐ Financial services: Sanlam: iii interactive inves-

tor: ICICI Bank; Schwah-NOW!; OANDA; KPMG; Money World. Small and medium-sized

organisations, (employing fewer than 250 employees): JJ Smith; Virtual Showroom; SeaNet: Mercedes-Benz Finance; Calleva Contracts; Tha Internet Movia Database; TrustNet. ☐ Public sector:

vare.

The Irish Tourist Board: The Juhilee Line Extension: DERA; The Republic of Kaz-

□ Not-for-profit organisa-General Blection 1997; CIPE. □ Competition entries closed on July 81. Details are on http: |www.uunet.pipex.com/ COMPETITIVE PRESSURES . By Paul Taylor

# Businesses see IT as the catalyst for change

Accurate forecasting and the sharing of information between partners in the supply chain become crucial to success in the market place

puters, when eorner shops still flourished and retailers knew their customers by name, logistics and supply chain management usually meant placing an order with the wholesaler and making sure the weekly delivery truck arrived on

in the US and Europe, the concept of computerised supply chain management had its origins in the introduction of electronic point-ofsale (Epos) systems, which gave retailers access to consumption data.

When coupled with forecasting tools and electronic data interchange (Edi), this gave retailers a means to develop sales-based ordering systems and helped them build highly efficient supply chains. Now, as IBM's retail IT systems experts point out. the advent of Internet-driven electronic commerce is encouraging "dynamic partnering" in the supply chain

Indeed, in today's fiercely competitive and increasingly global trading environment, the application of computer systems and software to logistics and supply chain management has hacome crucial to efficiency and success in the marketplace.

These pressures are being felt throughout the supply chain, from raw material producers, through manufacturers and distributors to retail outlets. "Today'a market pressures ara driving manufacturers towards more effective supply chain management." says Chris Elliott. northern European marketing director for Manugistics. the leading supply chain management software ven-

"Retailers are looking for more flexibility in manufacturing in order to meet even tighter delivery windows

In the days before com- this puts pressure on manu- "Just as retailers have had facturers to maximise the to efficiency of their

> In the consumer packaged goods sector, in particular, these pressures are especially acute. According to a new survey, sponsored by IBM, senior managers in European consumer packaged goods companies say improving service to retailers is the critical direction for achieving their 1997-98 financial goals. This trend is being supported hy increases in manufacturing capacity. further cost-reduction and aborter time-to-market for

new products. Strategically, consumer packaged goods manufacturers are implementing programmes to increase customer focus and lower operating costs while improving marketing and product development to hring more new products to the market faster.

"European retailers are and enabling companies to facing aubatantial pressure serve their customers better. on profit margins because consumera have hecome more cost and value-conscious, leading to lower retail stock levels and faster manufacturing turnaround," says the IBM report.

Manufacturers find it difficult or impossible to increase prices, and therefore customer-service, cost and new product areas have become the strategic tool. Implementing these strategies has put consumer packaged goods-related business proceases under intenae review, with investment being focused on internal systems and on the retail customer. Operationally, the main

strategic emphasis is on decentralisation, with investment heing targeted at improved management, planning and control of incoming materials, logistics, mannfacturing, outgoing finished and reduce cycle-time, and goods and sales.

transform their operations, internally and externally, to retain customers, market share and margins, so consumer packaged own supply chains." goods (CPG) manufacturers are having to address critical

issues of customer service, operational costs, time to market and efficient decision making," says Gordon Scorer, IBM's European CPG segment manager. "We see all these elements as strategic responses to the growing Europe-wide move-ment towards Efficient Cusalong the line to the supplitomer Response (ECR) which ers' suppliers.

is starting to transform the

way manufacturers work

Logistics:

IT and the

"ECR demands faster and

more accurate information,

quicker and better informed

deciaion-making, and

supply

chain

Very few businesses are to market demands.

service levels."

to support highly efficient manufacturing operations and 'just-in-time' systems, such as Dell Computer's plants which depend on component suppliers being very tightly integrated into the manufacturing process and holding inventory ready for immediate shipment.

increasing automation of processes," says Mr Scorer. forecasting and the sharing of information between part-Similarly, a recent report by the UK-based Conspectus ners in a supply chain magazine notes: "Intensifybecome crucial, For example, ing competition has placed as Andersen Consulting even greater pressure on the partners point out, 30 per traditional supplier-customer cent of potential customers relationship, requiring sup- leave retail stores because

pliers to reduce lead times, speed up delivery and to be much more flexible in adapting to the changing requirements of their customers'

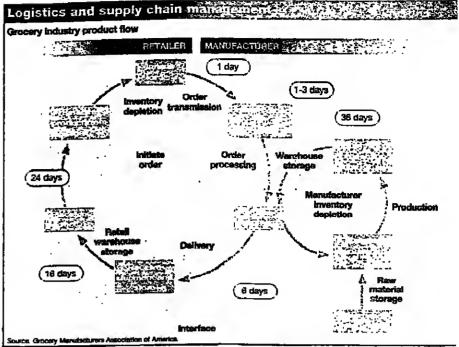
The report, prepared by Neil Ferguson, Conspectus research director, and Colin Davidson of KPMG, and based on the 1997 Conspectus Distribution and Logistics study, notes: "If this is not demanding enough, then all this must be achieved at a lower cost - which, in turn, passes the pressure on

unaffected by such pressures, and most are looking to IT as a catalyst for change and a means of remaining competitive or even acquiring an edge, says the report. Beiter and fasier systems are required which can provide information to real time and are integrated across the supply chain enabling husinesses to react much faster

As one company notes: "We want the supply chain to be fully integrated in order to reduce lead times and inject better practice. We need to simplify the whole process, optimising stock, reducing cost and maintaining the requisite

These systems are needed

in such systems, accurate



Retailers are facing higher pressures on profit margins because consum ous, leading to lower retail stock levels and faster manufacturing turnaround

buy are not in stock.

Meanwhile, supply chain warehouses and stockrooms are full of goods that are ageing and may well have to be written down or written off. By operating integrated supply chain systems,

"everyone wins". computing is facilitating this trend. For example, in the US where supply chains are generally considerably longer than in the UK, vendors are using continuous replenishment software packages to reduce severe inventory congestion.

Given these pressures it is perbaos unsurprising that a recent Economiat Intelligence Unit survey revealed that 80 per cent of companies saw supply chain management as the focus for improvement in their performance.

the Gartner Group, "companies which do not implement an integrated supply chain solution will he 30 per cent less effective." Nevertheless, there is a lively debate under way within the IT industry over whether enterprizewide and single integrated systems or 'best-of-breed' software packages are the

best option. Both types of software have their benefits and problems. Specialised software

may provide quick and

the products they want to often adopted by companies Forrester Research classified because they doubt whether as one of just two 'fast track' any single package could auit their specific require-

Meanwhile, enterprise wide integrated systems often provide the most effective means of collecting data from across an organisation The growth of network and using It for forecasting and decisioo support. However, systems such as SAP's R3, typically involve re-engineering the whole business - a substantial and lengthy process. Despite this enterprise-wide solutions appear

ply chain management software market is dynamic and growing. Reflecting this, half the sample in the Conspectus survey had bought packages in the last two years, According to analysts at and a further 40 per cent plan to do so in the next 12

to be winning converts.

months. SAP's R3 emerged as the most-used package, followed hy Oracle Applications, Marcam Prism, JBA and J D Edwards, However, several other software vendors have emerged with strong challenges to the established

in the US. PeopleSoft'a acquisition of Red Pepper and the integration of Red Pepper's supply chain management technology has internet: see page 4. immediate henefits and are turned PeopleSoft into what □ Case studies: pages 4-7.

supply chain management suppliers.

Similarly, SAP has embedded software developed hy rapidly-growing Texas-based 12 Technologies into the latest release of R3 - i2 is also leading the push by the supply chain management packaged software vendors to embrace the internet and corporate intranets - viewed hy most analysts as having the largest potential impact on traditional distribution and logistics systems.

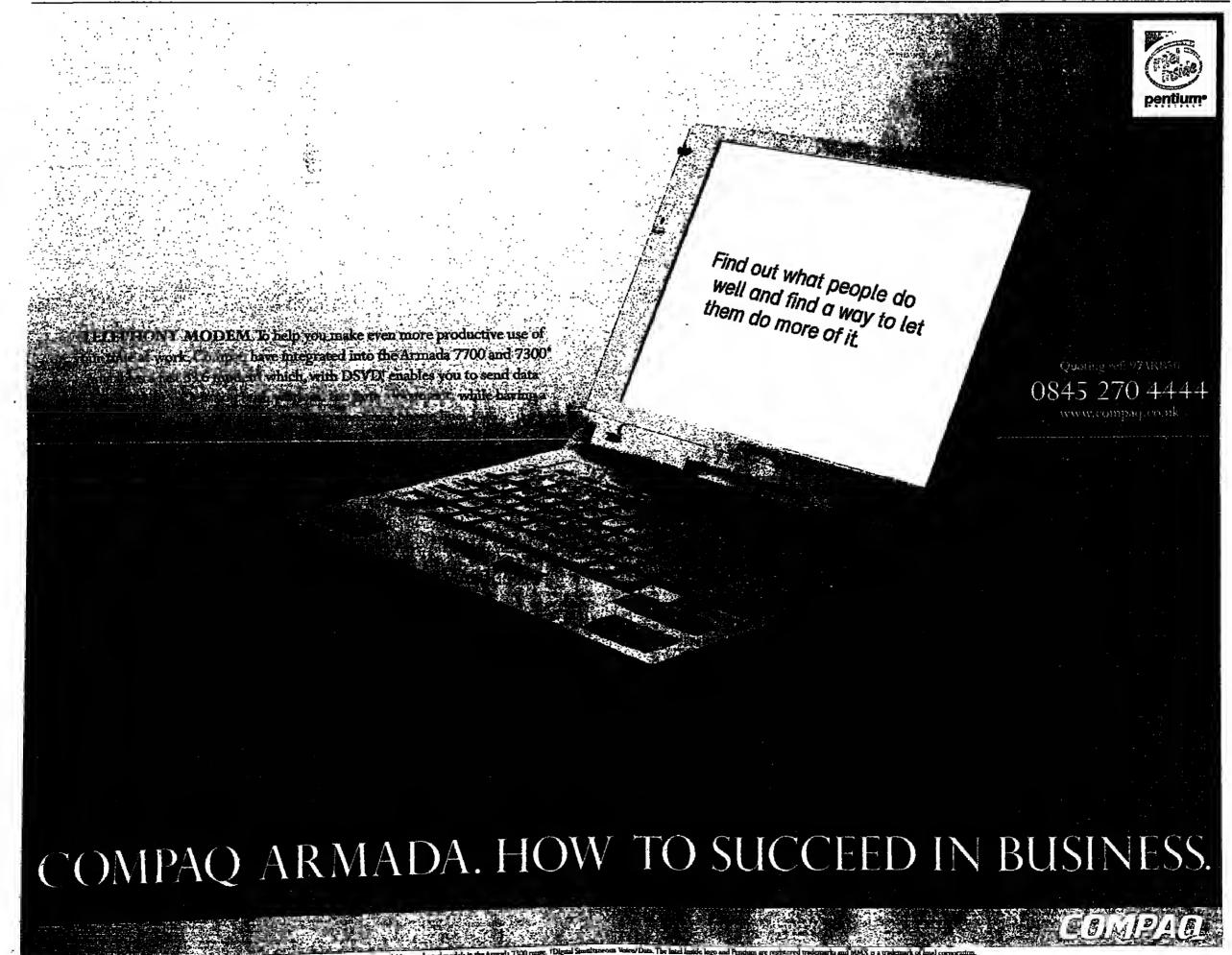
"A new level of cross-functional and cross-enterprise hat is heyond husiness planning becomes doubt is that the possible with collaborative planning via the internet," notes i2. "For example, an internet-enabled extended supply network can link a retailer to its distributors, and distributors to manufacturers and their suppliers.

Customers will gain improved delivery performance, reduced inventory, and accelerated operating efficiencies, claims the company. "This results in an enormous return on assets and the ability to realise significant gains."

If such predictions prove justified, the prospects for supply chain management systems do indeed look rosy.

☐ Shockwave through the

supply chain: impact of the



RESPONDING TO DEMAND . By George Black

enables producers to sat-Lisfy their customers more than ever before, yet few of them seem to do so.

Possibly people are getting harder to please, but some could improve that situation. more efficient. Advances in more personal relationships facturers to know how much manager for manufacturing grated systems such as SAP. started selling on the Web, market research suggests. Manufacturing grated systems such as SAP. started selling on the Web, market research suggests. market research suggests Manufacturers are aware integrated software are help- with their customers. they are more dissatisfied that they are no longer the ing manufacturers to underwith many products and ser- central and immovable ele- stand their businesses better vices than they were a few ment in the snpply chain and work more efficiently, and fashions have speeded years ago. Companies appar and need to respond better says Mr Ian Canadine, direcently are not practising what to the demands of their custor general of the Institute of almost all preach in their tomers. Cost-conscious Logistics. mission statements about retailers such as the larger serving the customer.

# Shockwave through the supply chain

The Internet's potential for electronic commerce may be great, but so is its potential to increase the numbers of dissatisfied customers.

manufacturing practices ers to make their processes and to restore the older,

This trend could enable supermarkets have been put- them both to maximise the But some big changes in ting pressure on their supplibenefits of mass production

been that changes in designs up, making it harder for manufacturers to keep pace with their customers' demands. They bring new products to market in just a few months, but buying patterns can move even faster.

Production systems are becoming more flexible, however, and feed back better information, enabling manufacturers to match what they make to what is demanded mnch more

Old systems with fixed reporting processes were unable to provide this type of information quickly enough. Order-processing could take six weeks when two was the objective, partly because an order entry system took several days to pass information on to the manufacturing system.

"To get the best out of the supply chain you need to break down barriers and get a smooth flow of information," says Mr Alec Cassells. a manufacturing industries consultant with IBM.

New order-processing able to trust their suppliers systams communicate inforsystems and eoabla manu-Nev Skalton, markating

is in stock and how much industries at Hewlett-Pack-Part of the problem has needs to be made so they can ard, says that producers can keep to promised delivery dates. This should not only more systematically. create more satisfied customers but also cut costs

greatly by avoiding overproduction and overstocking. According to Mr Canadine, European manufacturers are copying the Japanese practice of making every product every day and moving to shorter runs for low volume products, sometimes on sep-

By reducing the time takan to change over between products, they can offset the negative effect on cost-per-unit and these shorter runs sometimes cut stock substantially.

Ms Jackie Roskilly, indus-

arate production lines.

trial marketing manager for applications vendor Oracle. thinks there is plenty of room for further improve-"Many manufacturers have successfully cut stock

levels within their own companies, but most supply chains still have a lot of unnecessary stock in them somewhere," she says. Manufacturers need to be

more, so that they do not order more than they need." go a step further and plan their whole supply chain

This is what new software from companies such as i2 Technologies, Manugistics and Numetrix is intended to do. Their programs add supply chain planning functions to the widely used integrated

> Ordering goods via electronic commerce is likely to cut out many intermediaries

applications suites of SAP. Baan and others.

Whereas SAP's and Baan's on the problems of carrying out production efficiently material and capacity requirements planning and the like - i2's Rhythm and Manugistics address such onestions as what products should be made, when and

Most manufacturers are moving from inflexible old legacy systems to new inte-

PC INDUSTRY: Supply chain case study - Acer of Taiwan . By Geoffrey Wheelwright

the whole range of such packages. Most start with financials and move on to sales order processing, with manufacturing being last to gain the benefits of business

process re-engineering. Gaining full benefits from an integrated package could take from three to five years, says IBM's Mr Cassells.

Most companies have only started the process, but many more are now being adopt new software to cope with the year 2000 date

Many suppliers have become aware of the potential impact on their businesses of Internet trading. Ordering goods from the Internet could be a much cheaper way of doing husiness since it eliminates most of the administrative cost systems have concentrated and, in some cases, cuts out stock altogether.

In so doing it could also cut out many intermediaries. It has already been shown by companies such as Amazon and the Internet Bookstore that books can be successfully sold on the Web, in some cases more cheaply and in some cases with a

faster delivery. Record companies have

but few have implemented competing with retailers such as W H Smith, through its Virgin Megastores subsidiary, EMI through HMV and Tower Records, which have already started or will soon start to do the same.

This is likely to send a shockwave through the sunply chain, possibly forcing recorded music prices down

towards US levels. How many manufacturers will dare to compete with. their retailers in this way is forced into it by having to still uncertain. It raises the question of whether the manufacturer or the retailer has the more powerful brand name. There are also the difficult questions of what other types of products could . be sold more effectively on the Web than through existing channels and how many companies could cope with that sort of business. Internet orders could come suddenly and in volume from all over the world.

The problems of delivering quickly to a mass of customers worldwide and of repairing goods which are faulty on arrival on the other side of the world, are daunting.

The Internet's potential may be enormous, but so is its potential to increase the numbers of dissatisfied cus-

IMPACT OF THE INTERNET . By Philip Manchester

# No longer just another option

As the Internet speeds up the supply chain, it is also changing the way companies do business

areas of husiness. One of the most profound effects reliability - prompting a is on the supply chain. The first signs of this have emerged over the last year with the now well-known stories about the Fedex delivery tracking system and Amazon books. In both cases the Internet changed the processes that bring the service or product to the market. And, more significantly, competitors had to respond by offering comparable ser-

It seems that, when the Internet comes into the supply chain, it also changes the structure of the market. Companies in some markets. therefore, can no looger data interchange (EDI) to view the Internet only as an option; they must view it as an essential communications channel to their customers and their suppliers.

The business advantages are irresistible. The Internet provides a standard, open communications oetwork tbat reaches around the world. It requires no large investment and operating costs are low. It can carry any kind of digital information in formats accessible to all. Clever encryption soft-

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The Internet is chang- ware and good systems man- based systems is one of the ing the rules in many agement are removing main driving forces, he adds. doubts about security and positive response.

The Internet is, indeed. 'open for business'. Universally-accepted standards are central to its success They ensure that every Internet participant can communicate with every other. They can exchange data, text, ment. graphics - anything that can be represented in digital

The most important of these to the supply chain is data - orders, specifications, invoices and payments, for example. Standard data formats let the Internet bring the advantages of electronic every business - not just the large companies who can afford lt.

"The Internet makes big changes in the way we do business. Only about two per cent of organisations have ED1 - but 99 per cent have a PC and a telephone. The Internet creates a critical mass of people who can exchange data over the network," explains Mr Matthew Wall, business unit director at software company EDS. The low cost of Internet-

cuts costs in both areas the infrastructure is almost free and the standard browser has swept away a lot of the training require-Mr Howard Smith, a princal consultant at Computer Science Corporation's (CSC) digital commerce group shares this view. "It is easy to see how a network that anyone can connect to without making an investment

"Before the Internet came

along, it would bave been

too expensive - both to set

up the network and to train

people to use it. The Internet

ing this work. He sees the Internet making greater use of existing EDI standards, for example. "There is a whola body of work that has already been dons for EDI and the Internet community bas recognised that this can be used to bring EDI to the Internet. The Internet Society, for example, is looking at ways of nsing EDI standards."

changes the rules and stan-

dards are a key part of mak-

Although traditional EDI still has a place, Mr Wall of EDS sees greater possibilities with the Internet. Where two large companies have a static agreement to supply goods, for example, EDI is still the best way to do it. But where companies are doing business together more dynamically, the Inter-

net makes sense." their intranet systems internal systems that use Internet technology and standards - to their suppliers via secure lines. But he has not seen any examples of a company moving to the next stage and creating an 'extranet' - that is, connecting their intranet to the Internet and allowing open

Concern about security and reliability has, so far, acted as a brake on faster progress. But there are signs that these problems are well on the way to being solved. Mr Smith of CSC quotes a pilot study carried out by Bank of America and the Lawrence Livermore Laboratory in California. "They set up an experiment where all payments were made through the Internet and basically found that it was very easy to do. If you put enough encryption in, you can carry anything on the Internet.

"A much bigger issue, however, is quality of service - performance and guarantees of delivery of messages, for example.' Although criticisms of the

Internet have focused on its supposed lack of security, the issue of reliability is at least as important. The Internet does not have built-in mechanisms to ensure messages are delivered. These facilities - such as security - must be added

in other layers of software.

"The Internet is still just people-to-people - it is not transaction-based or integrated," explains Mr Colin Osborne a business manager at IBM. "So, if you want reliability you must have mechanisms that can guarantee that a message gets delivered or makes sure it is not duplicated. We use a queueing technique, for example, in our MQSeries technology to make sure messages don't get lost if the server is busy. It also lets you connect to older systems easily and build a broad infrastructure

for using networking to change the supply chain." The bones of this broad infrastructure are forming fast. The innovations that companies bring in terms of re-organising the supply chain will but the flesh on and there is oo reason to port systems. "People are suppose this will not bappen

#### Race to cut inventory costs He says that because com- its own Aspire range of PCs -The Acer Group, with 30

manufacturing sites worldwide, believes it is in a prime position for assembling PCs to order

facturing Industry. In an effort to reduce the high cost of holding huge and costly inventories, many PC makers are moving to either a build-to-order or custom-configuration model for mannfacturing and distribution.

This trend has challenged some of the world's top PC manufacturers to respond offerings that both allow Group, would seem better positioned than most to meet this demand

Acer's chairman, chief executive and co-founder. Stan Shih revealed in late August that the company was just putting the finishing touches on such a plan the first fruits of which will be seen in the North American market where the company last month carried out a wide-scale re-organisation.

With 30 manufacturing sites around the world, we are in a much better position than anyone else for assembls to order," explains Mr Shih. "Our approach is to partner with the distribution channel to provide this service and to service this need. With many of the OEM customers, we have seen this kind of structure already." Mr Shih also suggests that since Acer is "fairly unique"

in making many of the com- kind of new revolution on that you can only achieve it ponents that go into not only the channel side," says Mr by economies of scale."

here is a sea change its own PCs, but also those under way in the per- of many other "top ten" PC sonal computer manu- manufacturers. As such, he says the company enjoys a level of flexibility that many of its competitors do not enjoy. Acer makes everything from memory chips (through a joint venture with Texas Instruments) to CD-Rom drives, monitors, keyboards, motherboards (the base-level circuit board in all computers), video quickly with competitive cards, scanners and printers.

According to Simon Lin, them to reduce their inven- president of the information tory overhead costs as well products group at Acer, as improve the ability of cus-short product lifecycles are tomers to choose the options the key reason why Acer they want on their comput- and its competitors worldputer company, the Acer the way they manufacture and distribute their systems.

The company works on a ten-month product lifecycle, with three months allowed for product development and modifications six months for sales of the product and one mooth to clean oot "old" Invectory before replacement products are issued

Mr Lin adds that with some products, such as CD-Rom drives, the cycles have been more like three weeks for development, six weeks to sell and one to clear the channel. He says the reason for this is that CD-Rom drive specifications have evolved from a typical 2x speed 18 months ago to today's standard of 24x. Much of the driving force

behind this has been the willingness by users to enthusiastically and quickly adopt new technologies. "We have to adopt this



Stan Shih, chairman and chief

Lin. "If you understand the channel revolution trend, then you can catch the

Part of that understanding, says Mr Lin, lies in dealing with volume, margins and delivery. "The margin is so low that you don't have any luxury on the logistic side - we have to find every way to squeeze a penny on the fulfillment process," he says, suggesting that those with a worldwide presence will be better positioned to make that squeeze

lobal PC companies will therefore become more important than ever before, he says, "Acer's quick response system is part of this. The economic scale is so important - for the PC hardware portion, the component cost is so high

not make many of their components, they have to seek vendors to be near their factories and that the vendors have to carry the inventory. As Acer produces most of its own components, Mr Lin suggests "that isn't so much of an issue" for his company.

"When you have a reasonable global operations strategy, then you can ask the vendors to work with you," be concludes. "When you have this kind of structure, the liquidity of the part is keep as low an inventory as moves. possible."

Wu. president, Max Although he was only appointed to his new post in August, Mr Wu has already signed a deal to implement a custom configuration"

Acer's AOPEN subsidiary snpplying Canada's Future Shop computer retail chain with all the components needed to create their low-end range of custom-configured computers for sale in Future Shop stores.

"Future Shop recognised that there is a growing market segment who know exactly what they want and [under the terms of this deal], they can come to the store and specify exactly what they want," explains Mr Wu. "With AOPEN compocents, it gives Future Shop tha flexibility to build the machine that the customer specifies."

Wn also says that the company is continuing to press into the retail market with

petitors such as Compaq do and will offer some hasic 'build-to-order' capability there, although still through the existing retail channel.

The company is also aiming to make a bigger impact on corporata PC buyers through new markets opened by its purchase earlier this year of the notebook computer operations of Texas Instruments.

Not everyone appears to be convinced, however. Ms Leslie Fiering, vice-president of platform and operating system technologies at Garteasier and the overall cost is ner Group, the US market lower. We have to make sure research firm, suggests that that lower logistics costs Acer is unlikely to make a happen. The concept is to big difference with these

She says that while Acer In the US, the task of does benefit from a huge implementing Acer's new worldwide manufacturing manufacturing strategy has infrastructure, manufacturproblem in the US. "They are not doing a very good job - they have just not done. the markating," she said. "They have squandered the momentum that they bought [with the TI notebook busi-

ness acquisition]." Ms Fiering says Acer's current challenges are multiple. "They need to restore momentum to the Acername - although they have won some government deals they are getting killed by Gateway [the US PC manufacturer that sells PCs

direct)," she adds. "We are just not seeing them stake out an area m' the corporate sector. They had such good product in the notebooks, but between now and Fall Comdex Ithe large annual computer trade show in Las Vegas, November 17-21], there will be some fabulous products and strong new players. They are going to get lost in the shuf-

ADVANCED PLANNING SYSTEMS: High-level modelling and simulation. • By Rod Newing

# Bringing sense out of chaos

Advanced planning systems allow supply chain managers to make profitable decisions

the supply chain has heen based on taking known demand and converting it into a detailed mannfacturing and distribution plan. Unfortunately, demand is highly volatile and unpredictable, dna to the various marketing and sales initiatives and the activities of competitors.

Furthermore, plans can be disrupted by unexpected events, such as breakdowns; cancelled orders, urgent high-value orders and the damage or less of goods in transit. "Planning begins with a

'forecast,'" points out Mr Richard Sherman, senior vice-president for strategic research at Numetrix (http:/ /www.numetrix.com), a leading supplier of supply chain management decision suptrying to reduce forecast error, rather than learning

raditional planning in to deal with its impact." Mr Sherman believes that the key is to close the gap between what managers plan to do and what they have to do. "They need to have information to make decisions in a framework of objectives in an Integrated optimised supply chain," he says. "The trick is to be able to simultaneously compare all possible scenarios and to select the most profitable balance between time-sensitive production cycle resources and response-sensitive customer distribution cycle resources."

"Planning begins with a Organisations today pro-false assumption, called a duce plans either from firm orders, using matarials requirements planning (MRP 11), or short-term forecasts, using Distribution Requirements Planning (DRP). Both these software modules lie at the heart of Eoterprise Resource Planning (ERP) packages, from the leading vendors, such as SAP, Ora-

cle, PeopleSoft and Baan. However, these are essentially transaction processing and execution systems. Although they are extremely powerful and can optimise all the resources within the organisation, they usually calculate detailed manufacturing only plans on a weekly hasis, taking several of unforeseen problems or to dors; although the relation: hours to do so. They do not take into account the rest of the supply chain and are poor at supporting immediate decision-making.

'Technology behind supply planning is still in its infancy'

A group of software products has emerged specifically to support managers in coping with both long-term strategic planning and the uncertainties which are certain to arise on a daily basis. Called advanced planning systems, they work in con-

junction with ERP systems, but have been designed specifically to support decision-These systems allow.

organisations to model their entire supply chain. This gives managers a single view. of the supply links, enabling them to evaluate the effect plan long-term strategic resources.

Advanced systems work in conjunction with ERP systems, taking base data from them and feeding results back into it. as new plans or variation in orders.

The software is complex. being object-oriented and employing advanced mathematics, artificial intelligence. they should or shouldn't and intelligent agents. It develop," says Mike Evans, takes costs, selling prices. constraints, business and service objectives and calculates a large number of possible plans and makes trade offs to produce the answer that most profitably meets customer requirements.

The three leading vendors are i2 Technologies (http:// www.i2.com). Manugistics

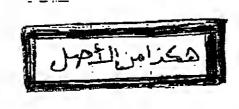
tics.com) and Numetrix (http: (howw.numetrix.com): Smaller players are emerging, such as Synquest (http:// howe synquest.com land

These suppliers are all partners with the leading business application venship is hlurred with Red Pepper (http:///www.pep planning per.com), being purchased by a conjunction PeopleSoft (http://www.peoplesoff.com) last year and Baan buying Bércisin. Baan buying Bérulain SAP has recently

announced its own product but will confinue to support fbird party products. 3.55

The main ERP vendors are confused about what managing director of manufacturing consultancy Cam bashi (http://ourroorld.compuserve com/homepages/.

"They recognise advanced planning systems as a vital element of ERP, but don't know whether to write it



# CASE STUDY: Aerospace industry application • By Michael Dempsey Streamlining the production process

With new software systems, British Aerospace aims to cuts costs and speed up delivery across five aircraft production sites

a \$3.3bn IT services craft. group with a serious track record in aerospace, having worked with General Dynamics and Nasa and British Aerospace. After It wou a £1.2bn (\$1.9bn) tenyear contract to manage the entire IT operations of BAe in April 1994, a senior executive commented that CSC "helonged with BAe because we have jet fuel in our

A CONTRACTOR OF THE PARTY OF TH

Now more than three years into the contract, CSC can point to very obvious differences in life at BAe. For example, the number of personal computers in the company has rocketed from 6,000 to more than 20,000. And while the aerospace industry has come in terms with the end of the cold war

omputer Sciences CSC's expertise to restruc-

The term 'stove-pipe' crops sites. up frequently in conversations with personnel from both companies. It refers to the historical hahit of using computers to automate manual processes. It is an obvious approach, but it maintains the dlvlde between processes such as design and engineering. CSC has been deployed to break down these barriers, planning IT operations across entire divisions of the BAs empire.

The Operational Efficiency Improvement Programme (OEIP) involves streamlining the work of BAe's military put 150 kilometres of fibre division. Working with the optic calling into the miliaiming to cut costs and pro- OEIP." duction lead-times on items and the removal of the Hawk fighter/trainer by 30 defence spending 'safety per cent. Time-to-market relies heavily on the work of hlanket. BAe has been using should be reduced by 50 per Baan, a \$400m, 3,000 staff existing spread of systems nity to have all this data on

cent, Under OEIP, Baan is software house with headand Oracle to replace 200 existing applications. BAe staff should be able to find Corporation (CSC) is ture the way it makes air in manufacturing and supout exactly what is going on port operations across five

· One indirect benefit of dispensing with so many legacy systems is that the issue of computer code responding to the date change at the turn of the century, the year 2000 issue, is dealt with. CSC programme director

Roger Crah explains OEIP as "a single integrated core system and database that means there is only one versiou of the truth. It holds all the husiness data." Mr Crah notes "the enor-

mous scale of the undertak-

ing . . . for example, we've

software house, Baan, CSC is tary division to support The Integrated Business such as BAe's best-selling Logistic System (IBLS) is a core element of OEIP. It

At one time, BAe used 200 different systems to manage tbia husiness - and the interfaces hetween them took considerable effort. were done manually: staff would type data into one system, then type data into another.

ng aircraft parts manufactured to extremely high tol-

using a combination of hard- quarters in both the Netherware and software from Sun lands and the US. Baan supplies a formidable suite of software programs dedicated Resource Planning (ERP). This means addressing all aspects of a contract from the initial paperwork

> According to Andrew Run ney, Baan UK husiness consultant, this wide collection of systems often did not address what BAe wanted to do. He cites supplier relations as one such area. BAe relies on a network of highly specialised suppliers produc-

Gathering Information from suppliers with the to be delivering the opportu-

Hawk 200 multi-role combat aircraft, developed from the two-seat Hawk advanced jet trainer. Companies such as BAe are fighting for

gather up threads of data resting across many systems made life unnecessarily complicated. Today, Baan claims

price tag of the integrated Business Logistles System (IBLS), a 300-user ERP program would cost between £1m (\$1.59m) to £1.5m 1\$2,38m1. Oracle database software

company is coy about the

manages the data, Baan's and-match information the military, where procureacross the five sites and Sun Microsystems provides the computer processors that allow staff to delve ioto IBLS. Prior experience with Boe-

ing. Baan's biggest client. was the catalyst for this BAe project. The Seattle-hased jumbo jet maker is in the process of implementing Baan's ERP. This simultaneous move to rationalise manufacturing and logistics via information technology on opposite sides of the Atlantic is no coincidence. Massive mergers between former rivals have consolidated the US aemspace sector while, in Europe, compaintegrated supply chain soft- nies such as BAe are fighting for export orders in the face of declining domes-

ware is not cheap. While the recognised they had to significantly improve the change quite radically to management of materials compete worldwide," says and inventory. But technol-Mr Runney.

> OEIP that involves Baan. The key phrase here is 'commercial-off-the-shelf - or 'Cots' as it is known, This is an approach horrowed from ment teams are now encouraged to huy standard hardthan issuing tenders for over-specialised and expensive systems. Documents, drawings and images are heing combined using a data

> Ae's civil side is a key partner in the four-na-tion Airbus consortium. The Supply Chain And Manufacturing Process initiative - known as Scamp is also intended to remove older, legacy systems that have been accumulated over the years.

management application, PM

6000, from IBM.

Joe Schechter, a CSC exechead-up IT on the Airbus closely.

was difficult. The need to one system, Baan's ERP soft- tic defence hudgets, "BAe operation, says the aim is to ogy cannot just be plugged Integrated Product Devel- into the processes at Filton opment is another aspect of and Chester where Airbus wings are produced.

CSC is running a series of workshops intended to answer key questions about the hest way to apply IT to the huilding of Airbus components. Hardware changes include the move away from ware and software rather a large IBM mainframe to smaller distributed computers from suppliers including Hewlett-Packard to handle bills of material. And the collaborative nature of the Airbus project means that any uew systems have to be integrated into BAe's European partners, DASA. Aerospatiale and Casa. Airbus Concurrent Engineering (Ace) is the IT-driven philosopby that should ensure compatihility with systems in Ger-

many, France and Spain. With fierce competition against Boeing's jet airliners. Airbus will oeed to follow the lessons of BAe's utive seconded to BAe to involvement with CSC very



**ADVANCED PLANNING SYSTEMS** 

# At-a-glance 'visuals' for managers

From facing page:

themselves or have an interface to the leading third party packages. However, different packages are suitable for different types of distribution problems and nur research shows clearly that users want a choice."

Princes Gronp, a leading food manufacturing and distribution subsidiary of Mitsuhishi, has been using Manugistics software for three years. The system takes data from bespoke manufacturing systems, currently being replaced by SAP, including customer orders, stocks-nnhand ships-on-the water and

visualise the wbole supply chain on a product-by-prod-uct hasis," says Derek the key drivers of the supply Knowles group lT manager at Princes. The system shows on one

graph the suggested call-off and buy-in, along with projections of stocks-on-hand. It has resulted in a massive reduction in stock-holding. have been achievable withlevels, he says.

A softer benefit is that the are still immature. system is facilitating a fun-

driven organisation. The system pulls together

chain into one view," says Mr Knowles. "This has hroken barriers hecause all managers share the same

#### Still immature

Although advanced planning systems have heen out the software, whilst around since the 1980s, havimproving customer-service ing started life as optimised production technology, they

"The technology is still at damental change in the a state of development packaged software at indeorganisation, from a functi where users dnn't really pendent analysts Forrester

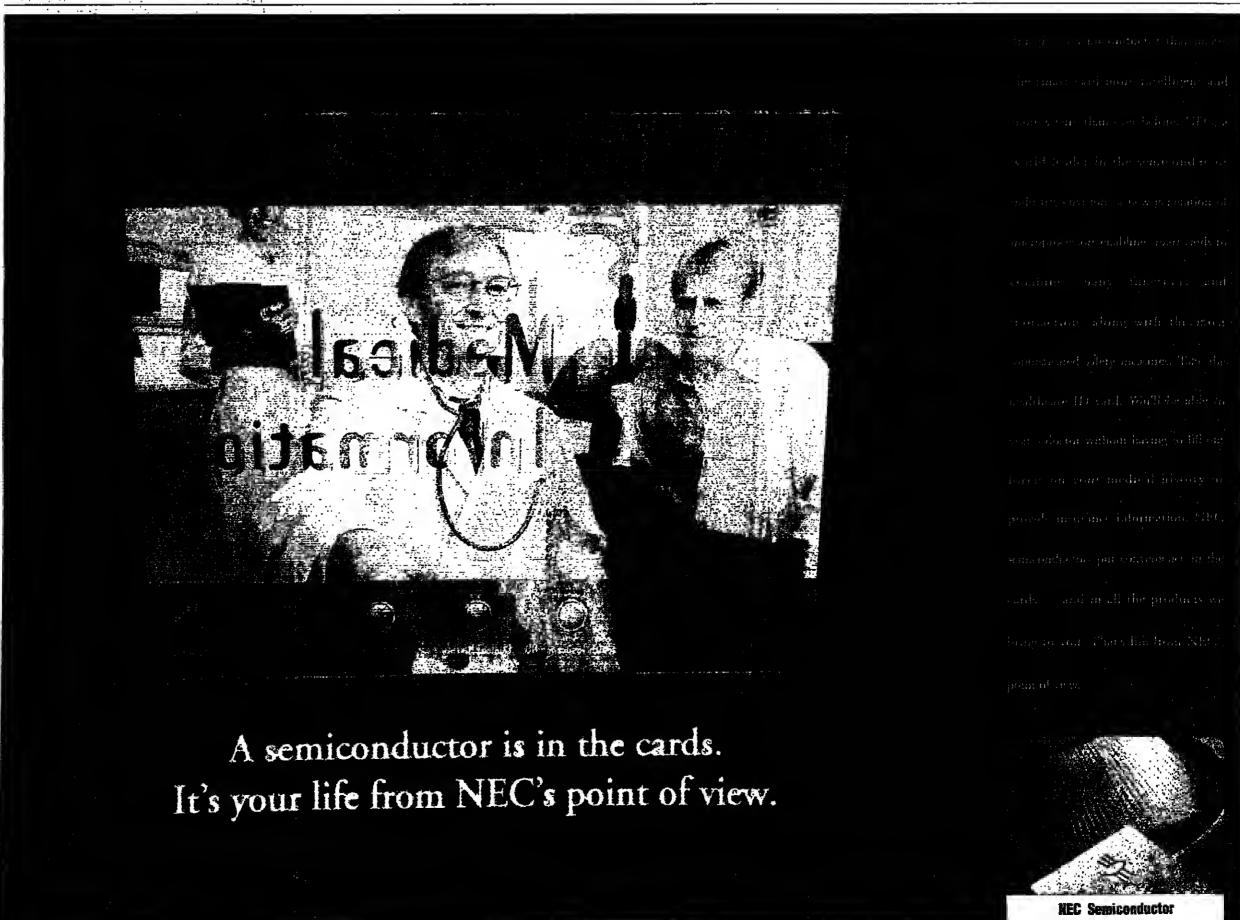
sales history. "It allows us to "tionally-based to a process- understand the capabilities," Research. (http://iforressays Gunther Kruse, directer.com). tor, manufacturing for "It has another generation KPMG Management Consult- to go hefore it's main-

stream." be says. Attempts ing, (http://www.kpmg.co. by the ERP vendors to stille Many usera and consulfree-market growth through developing their own solutants do not understand the process design issues. The tion or buying a specialist software keeps changing and vendor "won't make it", he developing continuously and there is no accepted 'stan-

as a selection benchmark, he Supply chain optimisation. planning and scheduling is still in its infancy, agrees Bobby Cameron, director of strained MRP 11.

dard' level of functionality

By 2001 there will be four or five specialist vendors offering multiple industry solutions in a single product. he predicts. "ERP is a dream that won't be realised without full implementation of ware and the death of uncon-



Scheduling software stready saves £7m a year - savings across the entire system could reach \$20m

## AUTOMOBILE INDUSTRY: Case study . By George Black How to keep the top car makers happy

Parts' supplier gears up to meet pressing demands from vehicle manufacturers

B irmid, the automotive components manufacturer, bas radically improved its performance in the supply chain by replac-ing outdated batch systems with customised real-time software packages.

A subsidiary of the Germao industrial company Thyssen, based in the UK's Midlands, Birmid counts several of the top car manufacturers, including Ford, General Motors. Toyota and Volkswagen, among its cus-

The modernisation drive was forced by increasing pressures from its customers to communicate electronlcally and to operate in a just-in-time environment supported by real-time systems. Excellence of service to the car makers was

Over a three-year period, dard part of the package. Birmid replaced its 20-year JBA was chosen a

ages from JBA, tailored to environment.
its own requirements, at the "There is no same time eliminating a lerge amount of labour-intensive clerical work.

From planning through production to delivery there is now a wholly integrated

By the beginning of the 1990s, it was clear to Birmid's management that employing a team of analysts and programmers in-house to support the old systems was no longer economic. There were concerns that key staff could leave and old systems woold become very hard to main-

So it looked at several package vendors and concluded that, although it was willing to change its working practice to fit the package as far as possible, where this was impossible the code would need to be modified.

It therefore realised it must select a vendor which was willing to make the necessary changes and maintain essential to stay in business. and develop them as a stan-

JBA was chosen and old mainframe batch adapted its packages to cope

completed, it bas to go straight on to a customer's truck," says Mr Bransby. There is no such thing as finished goods in our busi-"The driver will not wait ness." says Mr Leonard while you produce the docu-Bransby, group financial director. "This was some-

JBA, then moved on to implement JBA's purchase

management and stock con-

week's or last mooth's costs,

which was no good to us,"

says Mr Bransby. "It has to

be in real time. Now we can

see what our costs are at any

clearer insight lnto why

costs are being incurred and

therefore to which products

The hardest part of the

change-over came in creat-

ing the customer order

scheduling and fast-path dis-

"The moment a product is

patch systems.

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FINANCIAL TIMES

they should be attributed.

Further, there is now a

time when we need to."

trol systems.

The company has greatly extended its use of electronic thing new to JBA and we had to work on it together." data interchange (Edi), Birmid started with the which is now a pre-requisite of trading with the leading installatioo of new financial and reporting systems from car manufacturers.

New software .

saves more than

\$7m a year at

and money.

Chrysler plants

Michigan, and Ilog, the

French software company,

Orders are raised on the system and sent by fax to the suppliers, which as a result get one or two more These have belped to give days more io which to the company much tighter deliver the goods. New procontrol of its costs. "With ductioo and capacity planthe old batch systems we ning systems are being tested and will shortly be could only look at last installed group-wide.

Mr Bransby believes this comprehensive overbaul has put it in a stroog position to cope with any changes in procedures that may be forced on it by its customers. for example, stemming from the Network Exchange Initiative being set up in the US by General Motors, Ford and

JBA is involved in the discussions on this project and is therefore able to keep Birmid informed about what may be required before long.

scheduling system production scheduling system which has so far saved at Chrysler, explains the across the company.

Chrysler's vehicle producor car manufacturers, vehicle painting is one tion scheduling application, of the critical hottlebased on Ilog's optimisation necks of the assembly line. suite of software components, improves plant effi-Each time colours change, the old paint must be purged ciency at 15 Chrysler factofrom the lines, costing time ries throughout north America, Mexico and Europe Chrysler, the vehicle comby optimally sequencing pany with headquarters in vehicles through the paint-

ing stages of production. The centralised vehicle scheduler (CVS) application cuts down the number of times paint colours change in the sequence of producing

the car maker \$500,000 a year value of using the CVS sysin each of its production tem: "If we do our job propplants, representing more erly, we can typically save than \$7m in annual savings \$12 per 'paint purge' by conserving paint, solvents, and clean-up time. Our vehicle quality improves, as well as

Big savings for vehicle company

profitability per unit." The software system allows Chrysler to gain between 10 per cent and 20 per cent improvement in purge rates, representing a \$500,000 saving each year at a typical plant.

Ultimately, we see this levelling throughout the entire schedule which should result in inventory reductions in the order of \$10m to \$20m, with man-James Whitfield, manager power efficiencles due to

have developed a vehicle of centralised vehicle increased schedule stabil- provides benefits that users

hased on Hog's Solver soft strategy: higher-perforware, runs on a standard PC mance, flexibility, clean intesystem yet it out-performs gration with legacy systems the previous mainframabased sequencing module, he

At the same time, the new application remains fully integrated with the rest of frame system for data input and output.

Overall, the software applisequencing of vehicles optimisation. throughout the Chrysler prosystem accomplishing option duction process, reviewing not only paint purges, but also vehicle type, options, constraints, plant facility limitations and many other parameters.

Chrysler's CVS application

typically gain from a compoity," says Mr Whitfield. typically gain from a compo-tre CVS application, nent-based development - and, above all, a competitive advantage not available from packaged applications.

says Ilog. The Paris-based software company with US offices in Chrysler's existing main- Mountain View, California, was founded in 1987, and is a leading provider of advanced C++ and Java components cation enables the optimal for graphics and resource

> Nog's products include data visualisation systems for two and three-dimensional user-interfaces, plus constraint-based reasoning systems for resource optimisation, scheduling, logistics and planning applications:

MOBILE DATA . By Joia Shillingford

# New ways to track shipments

The use of mobile data systems is increasing at 100 per cent a year across Europe

management, easing the complex task of tracking and

managing shipmeots. Take-up is growing and now increased. three key trends prevail: the use of global positioning systems, better integration and the popularity of Global System for Mobile (GSM)

"A lot of work is going on in integrating radio commnnications with GPS," says John Davison, a senior consultant at the research consultancy, Ovum. (GPS is a position-finding system based on a series of US military satellites).

"When you get a GPS status message, you know where your vehicles are, says Mr Davison. "You can use it to track a specific container, or, in theory, an actual product. So-called location-dependent systems are being developed because

GPS is getting cheaper." GPS, merely on its own, is not as useful for supply chain management because it simply receives a signal. but combined with radio and/or voice to be transmitted, companies can find out where their vehicles are and why.

Companies are also knitting their mobile data applications in more closely with other corporate systems. such as databases. For example, UPS vehicles now send messages via the Ram Mobile Data network saying wbere they are into a Sybase database. This enables central office to schedule trucks more efficiently.

Mobile data can also be aging manufacturers to cal sector experience and integrated with back-office Invest in equipment for competitive prices," adds Mr systems. At DFDS, a Danish ferry and shipping company, ferries make contact with the company mainframe as they come in to Copenhagen. Ferries send details of caterobile data is becoming supplies required, so that replacement catering stocks in supply-chain are ready to go on board as soon as they dock. Previously, stocktaking was done manually, so efficiency has

> UPS feeds some of tha information received over Ram and sent to its central computer into its Internet website database. This enables customers to find out exactly what stage their

> parcel has reached. There are a number of ways of transmitting mobile data. Suppliers in the UK include Ram Mobile Data, Vodasone's Paknet service, Securicor, NB3. All of these have their own share of the radio spectrum and run their own radio networks.

Data can also be sent over the GSM digital cellular network, used mainly for mobile phone calls. This can be done in two ways. It can be sent over the GSM short message service, which limits messages to 160 characters. Or, a message of any length can be sent from a laptop (or other computar) that is linked to a mobile phone with a special cable. communications, which in some cases, a GSM interslotted in to the laptop.

"Mobile data is growing in popularity." says Martin Garner, bead of mobile and satellite research at Ovum. "The availability of good mobile data over cellular networks is a key driver for

the mobile data market. The coverage of GSM networks is good, and a network of some type exists in more than 100 countries, he adds. It is the scals of the opportunity that is encour- have two advantages: verti-

mobile data. GSM data is becoming cheaper and more widely available. In the UK, a credit card-sized GSM card that slots into a portable PC. costs several hundred pounds. A mobile phone that can cope with data - such as the Nokia 2110 - costs around £100. It is also possible to huy a purpose-built terminal for mobile data applications.

One GSM data user is Butler Fuels which has put GSM data terminals in 100 of its tankers that supply petrol stations. These transmit

> Costs fall as fewer staff are needed to manage a computerised tracking system

information via Vodafone'a GSM network into a supplychain application developed by UK software company, Intersystem.

mobile data (in general, not down," says Mr Garner. just in the supply chain) is fairly low base.

He believes GSM will dominate the executive-with-laptop market, forming the largest part of the mobile data market. But in specialist areas like logistics, it is harder to predict who will

"GSM data will probably take half of the market, leaving half for the dedicated radio networks," he save. "Dedicated networks still cellular systems becomes

Garner. Ram and the other dedicated radio networks are. based on packet-switching technology (where data is broken up into small parcels and sent over the most efficient route) so they can be more creative on tariffs eg pricing by volume, or offer

ing a fixed monthly charge. GSM data, hy contrast, is circuit-switched, so charges are based on the length of calls during which data is sent at 9,600 baud.

The benefits of using mobile data include:

☐ Speed: companies are able to achieve with one slick tracking system what a complex manual system had to do in the past. This is faster and more efficient.

effic

n prod 100,000

hocola

☐ Less staff: fewer people are needed to manage a computerised tracking system. so there are cost savings. Competitive edge: a

wall-implemented system means better information for customers on where the goods are.

Using mobile data can also cut tracking costs by 5-10 per cent, though companies need to invest heavily first. "A few years ago, the entry cost was not usually less than Mr Garner says take up of £1m. But costs are coming

"Payback usually takes growing at 100 per cent a 12-18 months, though some year in the UK and Europe. projects have paid for themmonths.

The payback time could become shorter. According to an Ovum research report. Third Generation Mobile Sustems, the next generation of digital mobiles will offer packet switching, which could bring down prices for data. Not only that, but distribution managers may be able to see the goods being delivered as multimedia over

CASE STUDY: Mobile data retail application . By Joia Shillandford

#### company, turned to mobile communications as a way of improving communication between the driver and the depot.

What used to happen was that when lorry drivers A tailor-made made a delivery, they would ring the depot from the store or pick up any messages from the depot that were waiting for them.

This was oot ideal because drivers sometimes needed to contact the depot while they were on the mova. For example, to say that they were stuck in a traffic jam and the delivery would be late, or to say that they could not find the overnight staff and therefore could not get in and would the depot please ring the store.

Howard Ashton, productivlty development manager at Tesco, says: "We started to talk to the mobile radio company, NB3, about two-way communications. But when we sat down with them we realised that we could produce more information.

"They, in turn, realised that the type of service we were looking for could he useful to other customers. So: together we developed what NB3 now call FleetWizard."

Tesco produced the specifidevelopment costs. "We wanted to improve the turnaround time for deliveries and be able to time trips," savs Mr Ashton.

chain was delivering cages of goods from a depot to a specific store and collecting products from suppliers. The trips involved were not that long; about 2 to 21/4 hours. "Now," says Mr Ashton,

### Delivering the goods in more ways than one

mobile radio system meets the needs of a leading supermarket chain

"if a driver is stuck in a traffic jam, he tells the depot and they inform the store he'll be an hour late. That improves communication with the store." Drivers can also contact the depot if there are prob-

delivery of wines and spirits. Each truck's cab includes a radio-based (voice and data) terminal with a keypad. Drivers can tap in a specific key that relates to what

they are doing. They press a key to say they have arrived at the store and another to say they are leaving. In all, there are 10 key areas that Tesco is trying to measure. The data from these 10 punched codes is transmitted via the terminal

back to a radio base station cation, while NB3 bore the at the depot. There, the information is downloaded to a personal computer. This information is turned - using FleetWizard - into a set of reports that give, for Typically, the supermarket example, the average jour-

ney time to various supermarkets. Tesco and NB3 have also developed a number of 'exception reports'. that will flag up deviations from the norm.

uses Paragon softwara for for much less than the cost scheduling vehicles, on of a mobile phone call. Tesco another computer system. This is linked to the NB3 PC," says Mr Ashton, "so we can see what tima deliveries are meant to be made, and check if we are staying on

schedule. Paragon also allocates jobs most expensive. to each driver, which show up on the LCD screen of each lorry's terminal.

According to Mr Ashton. one of the hardest things is getting drivers to fill in forms. But drivers can see lems with security, such as the benefits of the radio syssomeone trying to steal a tem, not just to Tesco, but to themselves. It can help them to avoid problems

For example, if a driver tells us there's a jam, we can find out from another driver where there's a clearer route and re-route the first driver.".

the system are hard to L Quantify, says Mr Ashton, but they include fewer driver-hours for a given volums of goods and a better tell us how many miles per standard of service to tha gallon a larry is doing and,

Wizard in late 1995 at one of . Mr Ashton. its depots with 30 trucks. It in June this year and more than 70 per cent of its fleet of 1,100 lorries now use it. NH3 terminals for the lor-

ries cost around £300 a vehicle, with base stations for a depot costing about pays a fixed charge per lorry of £35 a month, irrespective of the number of calls made. Charges vary, bowever, according to the region of the UK in which services are used, with London being the

in the longer-term, Tesco is also looking at installing some kind of black-box, such as a global positioning system, which tracks the exact. location of vehicles.

The supermarket chain says it chose the NB3 system because it was the only one which seemed to do what it wanted. The company also appreciated the fact that it could start off with voice and data-generated reports, but could then bolt on

other modules. the of these is a fuel monlot of the benefits of itoring module - a tiny computer that can be fixed to the engine - which will send data back to base (via the radio terminal). This could when that deteriorates, tell-Tesco first tried out Fleet, us it needs a service," says

. Many vehicles are temperbegan to roll out the system: ature-controlled for fresh food, with different areas at varying temperatures. depending on what is stored. There, are modules which will monitor these facilities.

But Mr Ashton concludes: "The best thing about working with NB3 was that they Voice messages or data sat down with us and deliv-The supermarket chain can be sent over the system ered what we needed."



MANUFACTURING CASE STUDY: US cosmetics group . By Tom Foremski

# No more 'educated guesses'

Mary Kay finds a new way to rapidly deliver cosmetics to more than 23m customers in 25 countries

ary Kay, the US tem was antiquated and thanks to a new system it operations at home and recently installed from Ross abroad. Systems, the company can oversee the production of

headquarters. Mary Kay says It chose software from Ross because it needed better control of manufacturing plants in order to take advantage of fast-growing markats in countries such as China, which require versions of its cosmetics tailored for local

The use of overseas manufacturing plants means that Mary Kay can more quickly deliver cosmetics to more than 23m customers in 25 countries but it also make process more complex.

"For 30 years, we were a 'made in America' husiness, says Trey Bradley, senior vice president at Mary Kay. "But with tremendous international as well as domestic growth over the past decade, the need for overseas manufacturing capabilities

became apparent. In 1996, Mary Kay opened two manufacturing plants, one in Neuchatel, Switzerland, and a second in Hangzhou, China. The problem, however, was that the company realised that its manufacturing information sys-

to produce

Cadbury cuts its

achieves savings

maker, has

A introduced what if believes to be one of the

most advanced supply chain

management systems among the UK's large companies.

It is based on software

developer Numetrix and is to be run in conjunction

R/3 Integrated application

In November last year,

supply chain centred on its factories at Bournville,

The aim was to optimise

of production, the cost of

holding inventory and the

supermarkets, high street

are ever more demanding. They have always insisted

service, but now they have

the information on whether

they are getting it or not

review."

itself.

and keep it under constant

Cadbury prided itself on

customers, but was not sure

whether it was doing so at

the lowest possible cost to

Apart from the pressure

Cashmore, because so much

In the past, the company

has used spreadsheets and

schedules and stock levels,

another applications to

calculate its production

from customers, it is

Cadbury to keep its

essential in any case for

of its trade comes from

impulse buying.

giving good service to its

on a high standard of

need to provide a very high

suite from SAP of Germany.

from the Canadian

Cadbury completed implementation of

Birmingham, and

Somerdale, Bristol.

level of service to its

ctores and wholesala cash and carry chains.

Demanding

Mr Boh Cashmore,

Cadbury's logistics

customers, the leading

Numetria's software to

in staff time with

adbury, the chocolate

supply chain

new software

costs and

system

CASE STUDY . By George Black

An efficient way

200,000 tons of

chocolate a year

cosmetics com- could not provide its managpany, is enjoying ers with the information record demand for its prod- they required to efficiently ucts worldwide - and now, manage manufacturing

The in-house developed system was unable to procosmetics in its overseas fac- duce the daily reports on tories from its Dallas, Texas raw materials and scheduled production runs, that man-

Mary Kay wanted a system that could show the company's managers - in Dallas - the status of its overseas manufacturing plants. It chose Renaissance CD software modules from Ross that provide planning. execution, quality assurance and costing applications to manage process manufacturing operations.

Renaissance CS runs on Mary Kay's DigitalAlpha 7720. It connects to various managing the production PCs running Windows NT via a Pathworks local area network.

Mary Kay says that Ross software was chosen because it could support multi-site operations and deal with multi-currency issues. It also allowed Mary Kay to reorganise the company and change the way it was running the husiness. For example, instead of producing cosmetic products in large hatches and then adding lahels and packaging for each country, it can now better tailor skincare cosmetic products for each country. That means making founda-



Try this new lipstick: in China, Mary Kay cosmetics are proving increasingly popula

tions in colors that match tries have their own regulathe skintones of local huyers, and offering lipstick, eye shadow, and blush in colors that complement the complexions of, say, Asian

The Ross software helps manage the complex manufacturing process which in some cases has to produce products that conform with local regulations.

tory bodies, requiring Mary Kay to change its formulas for each market. The new system allows Mary Kay to keep tight control over raw materials needed for each batch of cosmetics, no matter where they are made.

Better control means better response to market conditions. "Under the old system, we were limited to For example, the US Fed- making educated guesses, eral Drug Agency regulates such as increasing producskincare products such as tion across the board by 5 sunscreens, and other coun- per cent," says Dennis Gre- within the company.

aney, executive vice president of the global manufacturing group at Mary Kay. He believes that with Ross Renaissance CS, there will be less oeed for that kind of risky guesswork.

Mary Kay is working with Ross to upgrade other parts of its system. One current project is to take critical data from its mainframe systems and make it available oo PCs over a client! server oetwork to allow better access to information

**DISTRIBUTION** . By Geoffrey Wheelwright

# Compaq plan to keep down costs

Most of the top 10 PC suppliers are still heavily dependent on indirect distribution channels

busy reinventing itself - again. Five years after the company initiated a complete and radical overhaul of its manufacturiog strategy that saw its average prices cut, costs slashed and sales volumes dramatically increased, Compaq has spent the summer doing the same thing to its distributioo model.

On July 10. Compaq announced a new husiness model that it promised would will "deliver the latest product innovation to customers at the highest quality" and for a lower total cost of ownership. Known as Optimised Distribution by investors. Model (or ODM), Compaq said it was designed to keep customers happy while keep- pushed Compaq to make the

tightrope walk for Compaq ger competition from as it did not want to alienate its large existing distribution computer maker) Dell Comchannel by appearing to puter also appears to have compete with it. When the first phase of ODM was launched in North America in July, it was with a "buildompaq Computer is to-order" scheme for a new generation of commercial desktop systems that was huilding to actual customer or channel orders, rather

than built to forecast Compaq suggested at the time that the customers' benefits of the hulld-to-order model would he greater product availability and predictability, and "signifi-cantly lower" product costs. For Compag, it also meant holding a much smaller inventory in its warehouses which have stored up to \$2hn of stock at a single time. The level of inventory has earned Compaq criticism from analysis and concern

But it was not only high levels of inventory that

ing down distribution costs. change. The fact that Com-ODM, however, was a paq has started to see stronarch-rival (and fellow Texas played a role in the company's decision. Dell's success in direct sales of its computers to both consumers and corporate computer customers was also a major factor in Compaq's previous re-invention of itself five years

> In fact, widely-reported market data from International Data Corporation (IDC) indicated that Dell had become the higgest supplier of desktop PCs to corporations in the US in the second quarter of this year. According to IDC, Dell had achieved an 18.4 per cent share of this vital husiness sector, while Compaq trailed in second place with 16.5 per

Compaq's vice-president of worldwide marketing and communications. David Middleton, says that these





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The state of the s

but these methods lacked any sophisticated modelling capability and were too labour-intensive. It experimented with modelling techniques and stock began to fall, so it became convinced that a software tool for modelling was called for.

A crucial factor in the choice of tool was the ability to link up to SAP's R/3, which had already been chosen as the integrated applications suite to run most of the company's other manufacturing and commercial functions.

R/3 finance and rocurement modules are already installed and sales. distribution and manufacturing modules will follow next year. But SAP did not have a supply chain optimisation tool when Cadbury was looking for one (it has since announced

that it will offer one.) Supply chain management systems from Manugistics and i2 Technologies were with the more widely known also evaluated Numetrix was chosen because it best enabled the company to diverge from the traditional MRP2 (materials requirements planning) improve the efficiency of the approach.

**Forecasts** We did not want to plan our production entirely on doubtful forecasts of the balance between the cost demand, as MRP2 systems usually do," says Mr Cashmore. "This could have caused us enormous aggravation and a lot of re-scheduling. Instead, we wanted to huild in a buffer of stock to provide for possible errors in demand forecasting, particularly at peak times such as

Christmas and Easter." Although the company manager, says his customers knew it produced 200,000 tons of chocolate a year, forecasts of demand levels for its Crunchie, Dairy Milk, Creme Eggs and other popular brands were unreliable. Often the company unintentionally produced in volume for stock based on unreliable forecasts.

The new system has helped to cut stock by 10-20 per cent on the level which was held before modelling was tried. But Mr Cashmore insists that getting the lowest possible stock level is not the sole objective.

"It is not a simple products on shelves, says Mr equation," he says. "One aim may be to cut stock as far as possible without risking not having our products on shelves. But in some cases a high stock level may be acceptable, especially if we can save on production costs."

The company expects a return on its £500,000 investment within two years through cutting supply chain costs and saving of staff time. "We can now make a production plan in hours which used to take weeks," says Mr Cashmore.

# Ways to gain competitive edge

A key issue for companies is how to get the right information, at the right time, to the right people

than physical assets tive use. or resources, is now the key to competitiveness. Anyone who doubts this should consider the way that knowledge about life - biology - is driving the development of biotechnology, a new and increasingly impor-

tant sector of the economy. The UK's leading biotechnology company, British Blotech, which has never sold a single 'product', has a market capitalisation of more than £1bn. This company, and others in the sector are highly valued because the knowledge around which they were formed has great

potential value.

Extracting this value is not straightforward. Indeed, for the emerging biotechnology companies and their big brothers in pharmaceuticals, the challenge of managing and analysing complex and specialised information has led to the development of a new IT discipline - bioinformatics.

Business knowledge is not. of course, a new invention what is new is the recognition of the need to harness and manage it like any other asset. This raises issues not only of appropriate processes and systems, but also of how to account for knowledge in

the balance sbeet. Some commentators use the terms 'knowledge' and 'information' interchangeably, but in considering the role IT has to play in knowledge management, it belps to make a distinction

nowledge, rather is information put to product he consultantancy Ernst

The issue for companies seeking to capitalise on knowledge then becomes how to get the right information, at the right time, to the right people.

related, knowledge managesion of information manage-



#### Managing information

in a continuing series. FT writers examine key issues in business communications

ment. Becoming a knowand business processes, supported by an IT infrastructure which makes knowledge easy-to-use and distribute. It is not just new industries that must face up to the challenge of managing between the two. Knowledge knowledge, it is also recog-

nised as crucial to the future of mature ones, according to the first international survey of corporate practice in knowledge management by and Young, which appears in its new report, Business Intelligence.\*

Almost 90 per cent of 430 respondents in process industries including paper, chemicals, and oil and gas, Although the two are consumer goods industries. services - including healthment is not simply an exten- care, media and transport and utilities - in the US and Europe, consider that they are working in a knowledgeintensive business.

Seventy seven per cent say that knowledge about customers is "the most critical" knowledge. More tellingly perhaps, 96 per cent of those surveyed agree their company could get more value out of its knowledge base. Acknowledging that know-

ledge is an under-used, or even misused resource, companies are now turning to knowledge management - in the first place to help them know what they know, and then to marshal and exploit it in a systematic way.

The job title, 'Chief Knowledge Officer' is starting to appear on the US corporate roster. "People are just beginning to understand the need to capture their intellectual capital, and let their people around the world have access to it," says Ben ledge-based company Barnes, general manager of requires changes in culture IBM Worldwide Global Business Intelligence Solutions.

For example, IBM is working with one of the largest automobile manufacturers and some of the largest US banks to create a knowledge based structure.

Mr Barnes says that IBM

INTERNET SOLUTIONS

obs, volleys, birdies and

Building a Website that will attract millions of lans requires a powerful teammale. An IBM BS/6000 Internet solution handles many

of the busiest Websites around: Wimbledon, the National Hockey League, the Probessional Golf Association of America and the

use - seldom an easy task, Above, weary Tokyo money brokers snatch a break before the start of another heetic afternoon of trading

project in-house. "To say that we have captured all IBM's intellectual capital would not be true, but we are well on the way."

Similarly, many of the organisations surveyed for the Business Intelligence report have just started the process of becoming knowledge-based and bave recently created, or are planning to create knowledge management teams.

A number have already made considerable progress in understanding and applying knowledge to create value. "It is simply that this knowledge is in isolated pockets," says the report. To become knowledgebased, a company has to know what it knows, work out how to share and use the information throughout the

is undertaking a similar organisation and then create systems for creating new knowledge."

The knowledge store of a

company is not limited to the explicit knowledge held in intellectual property portfolios or in databases. It also exists in the form of tacit knowledge in the heads of the staff - therefore, companies are increasingly looking for structures that will facilitate the sharing of knowledge among their employ-

This is prompting moves towards technologies that support contacts between staff and thus support knowledge generation and sharing. These range from better telephone systems to video conferencing, groupware and intranets. "These are cost effective and simple enough technologies which allow

sharing and collaboration. says Mr Barnes. "You can standardise best practices, tools, lessons learned and customer reference sites, and all this information can

be shared globally." For example, ICL, the computer company has an internal knowledge management programme called Project VIK (for Valuing ICL's Knowledge) in which an intranet is used to distribute knowledge around the company. This is making it much faster to put virtual teams together with no boundaries to thair know-

ledge base. But knowledge management needs to go beyond set-ting up structures that allow staff to work together using existing knowledge stores, to ways of generating new knowledge. In particular, turning tacit knowledge into explicit knowledge in databases is very challenging because people must be persuaded to record it in the first place.

Mr Barnes believes a cultural change is needed to persuade people to input and share knowledge. "You have to build the motivation to put information into a central bureaucracy and have it shared. You have to build a culture so people will be motivated to take time to document knowledge, and put in place business processes to make people work using this information."

In ICL's project VIK, staff are rewarded for contributing knowledge to the system. stores is a huge boost to productivity, according to Ellen Ferrara, who is responsible for internal communications for EDS in Europe, the Middle East and Africa.

"Two years ago if yon wanted to know if EDS had done any research in fingerprint recognition, you had to get on the phone and work your contacts. Now you enter a single keyword."

According to forecasts from the market analysts IDC, by 2005 the money spent on knowledge-based IT will exceed the amounts spent on traditional transaction processing systems. "Our children will not

think of computers as operationally focused devices that process transactions, but as strategic knowledge repositories," says Mr Barnes. Creating the Knowledge

Based Business; by David Skyrme and Debra M Amidon; published by Business Intelligence: details available via tel. 44 (0) 181 879 1122.

And rnptcy. enough to get the IT right once

Stable functions that will not change in ten years, such as printer software, or the core elements of enterprise resource planning packages, such as Baan, should be part of the infrabusiness. "The top, business. layer, can then be limited to applications that may need to change rapidly," he sug- fixed."

For Alan Norman of Sie mens Nixdorf, the way to

### Managing information

IMPERATIVES . By Joia Shillingford

# Business goals are often unmatched by IT strategies

Many problems arise because IT staff do not fully understand the business – and vice versa

company's IT strategy can make or break the business strategy. In a world of fast-changing commercial imperatives, how do users ensure their IT infrastructure is flexibla enough to allow them to respond? As the saying goes, "it's not what you've got - it's what you do with it."

The right IT strategy will make a company more competitive: the wrong IT strat-egy could send it into bankfast-changing competitive environment means it is not

Companies need a flexible IT infrastructure which allows the IT strategy to change when - as it surely will - tha business strategy changes. The fact that this is often not the case is reflected in a survey of the impact of the Information Age on UK organisations, carried ont by tha IT research company IDC for Hewlett Packard this year. Of 50 chief executives, finance and IT directors interviewed. 46 per cent admitted their IT infrastructure was not adequate to meet business goals.

However, more than 80 per cent of businesses in the UK at least recognise the importance of information technology for competitiveness. according to recent government research. The survey. which benchmarked the UK against the US, Japan. France and Germany, showed the UK holding its own in terms of usage and ownership of information and communication technol-

Roger Chaddock, an information systems specialist in the management consulting arm of Computer Sciences all of the resources at our Corporation (CSC) empha- disposal to ensure that your sises that the approach to IT company runs more effec-Giving staff equal access to strategy has to change. "The to a year sweating over an IT strategy - and then working with it for five years are gone".

Instead, he says, companies should build an IT infrastructure which delivers most functions, overlaid with a thin layer of businessspecific applications which are independent of the other functions and which can be changed rapidly in response to the needs of the busi-

structure is to focus on endusers and not on the technology. "The challenges facing today's organisation are not solved by peddling particu-lar technologies. Onr approach - user-centred computing - looks beyond short-term technology issues to determine precisely what users need from their net-

work-based computing." Many companies have turned to outsourcing as the way to cope with the opposing pressures of fostering a flexible and responsive IT capability while controlling costs. "For any company, IT is an increasing part of delivering on any business strat-egy," says Tim Ryan, president of the Industrial Development Group at EDS.

"You can go out and devise a great new business strategy, but you may turn around and find that technically you can't deliver it. Ideally, technology should always be a facilitator, but increasingly companies find it is an inhibitor, and that is becoming a driver to out-source IT."

The need for a tight linkage between the business and the IT strategy means that outsourcing is maturing from a service in which the outsourcing company manages the computer systems to one in which it is also responsible for the business processes that are handled the systems.

The right system may be there, but the company fails to implement it properly'

EDS has developed the concept of co-sourcing, in which its fees are tied to achieving fixed objectives. "It's not simply about running the IT, it's about using

But as Mr Ryan acknowledges, not even outsourcing companies can anvision every business contingency. The industry is good at writing contracts that contemplate changing circum stances over the course of a

long-term contract." He says he expects 70 per cent of long-term contracts to be significantly changed by the time they are halfway through. Christiane Wuillamie, founder and managing director of the IT consultancy; CWB, believes that IT will continua to be unresponsive to business requirements until IT departments are reorganised to make them business-facing. "Traditionally, IT supports structure, and can be accounts and personnel in deployed throughout the the same way as it supports business-critical. " functions ... there's no wonder users think IT is rigid and

Much of the problem arises because the IT side

# Upheavals ahead

From previous page:

figures do not tally with its own experience - nor do they agree with Compaq's own figures or those of rival market research firm Dataquest, which puts Compaq in the top spot for the same

"Since the announcement on July 10, we saw in the first 30 days an increase in total sales that exceeded 80 per cent," he says. "The intention behind our re-engineering of the distribution model was to accomplish two fundamental objectives to reduce unnecessary costs in distribution and to introduce new Compaq desktops with prices that were substantially less expensive. We are very pleased with the

so much." He also adds that the critical issue of high inventory. lavels has been well addressed by the change. We did have a lot of inventory in the channel - anystock. Now it us under four

weeks in the channel and we are continuing to decrease

Although Dataquest's preliminary worldwide figures for the second quarter show that Compaq did add 2.1 per cent market share points. they also indicated wby Compaq has had to make changes. It also suggests that Hewlett-Packard and Dell both posted wide gains half is becoming obsolete, - and that for the second consecutive quarter, Dell. was able to maintain more the US and elsewhere.

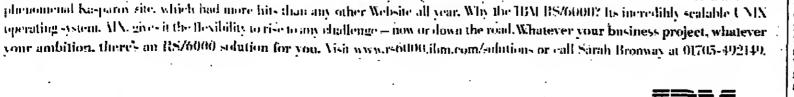
Dataquest also suggests that efforts by Compaq and other competitors which have followed its lead - to re-invent its distribution are working nels today. Though there are inherent efficiencies in the direct sales model, clearly the

model, effective indirect PC manufacturers and their distribution partners are doing quite well," says Bill Schaub, Dataquest's computer group director. "The focus of topcant market share gain across the board."

IDC is even more dramatic in its assessment of the change sweeping the PC industry - particularly as impacts on US corporate cus tomers (where IDC has reported that Dell has taken the lead over Compan). "The PC business as we've known it for the past decade and

says the company. We conclude that the notion of a corporate PC than 60 per cent growth in business, driven primarily by an indirect channel strategy, is obsolete. That is not a trivial conclusion, considering that most of the top 10 PC. suppliers are heavily dependent on indirect chan-

Furthermore, most are not being aggressive enough in incorporating direct sales into their channel structure for fear of offending their channel partners. "In our view, suppliers that continue to avoid this issue run the risk of becoming as obsolete where from 8 to 12 weeks of ther vendors on inventory as the last decade's PC busiturns has resulted in signifi- ness model."



Solutions for a small planet

### Managing information

OFFICE COMMUNICATIONS: US research findings . By Geoffrey Nam

# Guidance needed through plethora of choices

While more than 2.7 trillion e-mail messages will be sent this year, many will go unanswered - and paper notes may be the last report

n the not too distant past, office workers would simply pick up tify what lessons could be the phone or send a memo to communicate with their colleagues. In today's high-tech corporate communications. workplace the choices are much wider, but the abundance of voice mail, e-mail and other communications tools has paradoxically not made corporate communications easier.

PERSONAL CHEST WITH THE

supply c

1 Sec. 1

Corporate staff are inundated with communications tools and often do not know which to use for even the simplest tasks, claims the Institute for the Future (IFTF), the California-based research institute, in its report, Managing Corporate Communications in the Information Age. Often the choice of tool is decided not by cost or company policy but rather by "irrational" factors, such as corporate culture or power relationships.

Deciding what tool to use for specific communications is a complex process, and indeed some corporate workers may spend a good deal of their working hours simply untangling the knot of technologies available.

The IFTF report, commissioned for US office equipment supplier Pitney Bowes, looked at the communica-

learnt from how office worktial ers select and manage their

In spite of the tremendous growth in electronic message-mails will be sent this year - traditional communications methods are unlikely to fall into disuse, the IFTF

customers and suppliers, the telephone is still preferred as it provides the personal touch and is guaranteed to be available to all. Paper will also continue to play a vital role in tha modern workplace as it provides an essen-

"bridge" between unaven technological infrastructures. Many corporahave tha same e-mail system ing - more than 2.7 trillion . throughout the company, or e-mail may be restricted to certain users, thus requiring one workar to print out e-mail messages and distribute them to the others in the

GOSH, MY SHIFT IS OVER AND I HAVEN'T EVEN PINISHED GOING THROUGH MLY E-MAIL YET



For communicating with team that does not have an

difficult to ignore. The report found the aver-

age US office worker sends 37 messages a day by paper tions, for example, do not and 57 messages electronically. Despite the plethora of communications choices available, only 31 per cent of the workers surveyed said their company had communications policies to guide their decisions about what tool to use under different

One worrying finding was that few workers had an

"New media find a place in the office ecology, displacing in itself," says John Kay, a others that simply find a specialist in office automa-

e-mail account.

Paper is also the medium of last resort; if voice mails and e-mails go unanswered, a terse memo or a handwritten Post-It note stuck on the

conditions.

accurate understanding of the cost of communications, nor did cost figure in their equation for deciding which tools to use. The technology choices grow ever more coofusing hecause when new communications tools are introduced they supplement rather than replace existing methods. The widespread use of the fax machine has not replaced telephone calls or traditional mail; e-mail has failed to oust the fax; corporate intranets promise to revolutionise information access but are unlikely to make the telephone redun-



Along with most workers in the financial world, these delers on the Philadelphia Stock Exchange are surrounded by IT systems

new niche in the system." says the IFTF. Traditional uses of tools are merely reprioritised in the office worker's toolkit "

Consultants believe the proliferation of electronic communications, if not carefully managed, can lead to office workers becoming less rather than more productive. The time spent checking and chunk out of a working day and problems that might once have been quickly resolved with a telephone call drag on for several days when handled via e-mail.

"There is a history of unmet expectations with IT for office workers and the danger is always that the technology becomes an end tion technology for the PA Consulting Group. "E-mail is a very powerful tool, but in some organisations it becomes too sender-driven."

PA Consulting has introduced an e-mail policy to improve communication between its 52,000 consultants working in 50 offices worldwide. E-mail messages are only sent to those who replying to e-mail and voice are required to respond to mail can take a sizeable the message and the desired actioo and deadline are clearly stated on the e-mail.

> systems once seemed the answer to the chronic problems of paper overload within organisations. BT, the UK telephone company, turned to e-mail at the start of the 1990s in an attempt to overcome the chronic problems of paper £563m in its 1997 financial them," he says.

viate this situation but only at the expense of sizeable network and disk storage costs, for many e-mails contained identical information that was replicated and elec-

In 1994, BT decided to build a document management system to eliminate this replication and improve access to corporate information. In 1995, the project was updated using weh browser technologies and BT started to roll out a company-wide intranet

tronically stored many times

Today, there are more than 60,000 web hrowsers connected to BT's intranet. which provides a common front-end to various information systems. BT claims its intranet produced savings of

overload. E-mail helped alle- year with an average efficiency improvement of 50

> PA Consulting advocates a similar approach hased on building corporate "information stores" that can be easily accessed by all company workers using a groupware product such as Microsoft's Exchange. The consultancy uses such a system for its own internal information and Mr Kay, who works from PA's London office. recently used the technology to scour PA's offices worldwide for consultants with the right skills needed for a new contract.

By searching a database of curriculum vitae, two consultants were quickly found in Australia who fitted the hill. "Before, it would have taken at least 75 phone calls to find

INFORMATION OVERLOAD . By Geoffrey Wheelwright

# Now they call it the 'infoglut'

Faced with a barrage of daily messages, employees struggle to sort out the urgent from the mundane

Battempting to cope plex challenge on how their employees succeed in manload are now referring more simply to the 'infoglut' - it is the barrage of information they receive every day from use in the first place. the outside world - including newspapers, television, employees to receive dozens ment system for its most telephone calls, the Internet, ages and even the bumble electronic mail sys-

mail portion of this information overload may be one of the biggest administrative problems facing businesses today. While people can choose to buy fewer newspapers, make or answer fewer phone calls, watch less television or not bother to 'surf' the Internet, ignoring a personal e-mail message almost borders on impudence.

As a result, many large

people companies now face a comemployees succeed in managing the e-mail systems thet these businesses so strongly encouraged staff to It is not unusual for

of electronic mail messages a recent release of Office. day. With the volume of information thrust before employees, they face great Reducing the electronic difficulty sorting urgent messages - to which an immediate reply is often needed - from "broadcast" electronic memos sent routinely to everyone in the company. The latter do not generally require a reply and can sometimes be handled at a more leisurely pace.

Companies such as IBM's Lotus Development subsidiary, as well as Novel and Microsoft have worked tact management and elec-

extensively to produce tronic mail."

systems that help users sift their way through the inforsort incomin mation overload. According to Andrew Dixon, product manager for the Microsoft Office software suite at the company's worldwide beadquarters in Redmond, Washington, this 'infoglut' problem was the main reason why Microsoft developed an e-mail/information manage-

In Microsoft Office 97 an application called Outlook manages electronic mail, an address book and a diary/day timer. "Users said they wanted to be able to make sense of all the information that comes across their desks," says Mr Dixon. "That is the reason Out-

look was developed. We did 25,000 hours of research with customers and found that they really needed to be able to pull together information. share data, carrying ont con-

received faxes - into differhad feedback from accounts who said that Outlook was that manages information customers. between all those 'stores' fax, address book, diary, e-mail and a log of all t

carried out on the PC. Outlook allows users to quickly sort e-mail by sender, by subject line, by date received - or even by the size of the electronic mail. This means that it is simple to quickly bring forward all the messages from your employer - or isolate faxes from a key customer. Recent research by IDC on

the impact of Office 97, for example, found that Outlook 97 made it easier and faster for users to manage their -mail. This was because they could prioritise, filter, sort, process, and locate messages, contacts, schedules, and schedule tasks 'to do', without wasting a lot of time. One participant, Bose, the consumer electronics company, found that its users were 20 per cent more productive at finding information and managing

Lotus Development offers many of the same kind of functions on its cc: Mail -mail system - as well as integration with its Lotus Notes 'groupware' system. The network software company Novell has also had success with its Groupwise software for many of the same reasons.

Another challenge companies face in managing e-mail is to ensure it goes to the ge is from a cus-

tomer. On a company web He adds that the ability to site, for example, there may sort incoming e-mail - as often be an e-mail address to well as electronically which customers are supposed to send requests for ent 'folders' had a direct information - something impact on productivity. "We like info@company.com. But the reason they went to that reaches a general Office 97," says Mr Dixon. account - and the company Staff need one user-interface may appear unresponsive to

Canadian company

designed an L "aliasing" service that it says should solve this problem. Vancouver-based Electric Mail Company announced in August the introduction to its North American clients of a system called AKA, which allows mail sant to general accounts (such as info@com pany.com) to be automatically redirected to the individuals who are supposed to reply to that message. And it is apparently flexible enough order changed when somebody else takes over the job of dealing with incoming mail. The general address acts as an 'alias' for the specific e-mail address of the person in charge of actually handling the mail.

Electric Mail president Cathy Munn says some clients are also using the service to allow their mobile employees to have corporate mail redirected to an internet account. This allows travelling employees to dial local Internet access numbers while away from the office and still receive the electronic mail that has been

Electric Mail charges a set-up fee and a \$25 minimum monthly corporate subscription rate for the service - actual rates depend on right person and is handled how many 'alias' names quickly - particularly when need to be set up and man-

IMPERATIVES

# Flexibility needed

business - and vice versa, she says. "The IT people have no incentive to talk to

business peopla, and most business people are too busy to be bothered with IT. As a result, the technology may be there, but the implementation is failing." PA Consulting Group simi-

larly argues that it is not the technology that matters, but how it is managed. Once the in place, the infrastructure in. becomes flexible because a firm rule-base takes the uncertainty out of the deployment of new facilities. system upgrades and soft-

during mergers and acquisitions, according to Mel Earp, databases support."

From facing page: technical director of Sema does not understand the Group UK. For example, when Zeneca demerged from ICI, "it took three years to unpick the networks". Some companies go

through so many mergers and demergers that the IT department spends all its time putting applications together and taking them apart once more. Mr Earp says that rather than integrating the two IT infrastructures, companies should management disciplines are start at the edges and move

companies with incompatible database structures, you shouldn't say how are we going to integrate these databases?'. Instead, you should use workflow techthe IT infrastructure comes nology to reform the business processes which the

#### Key areas in information management

technical issues.

Planning for technology Attwell. and the business are no longer seen as separate activitiechnology concerns among ties - these processes are chief information officers converging," says the Gart- are: ner Gronp's latest survey among members of its IT executive programme in solutions. Europe and the US.

egic decisio □ Aligning IT and the

husiness agenda.

□ Utilising IT for competitive breakthrough. ☐ Infrastructure con dation and cost-control. ☐ Skills management, re-

skilling and training. Compared with IT management, technology issues volatile from year to year." This is hased on that lowed by data warehous-

tecture are seen as priori- place. Innovation, as well ties among chief informa- as hype and confusion, are tion officers in a new significant aspects of survey of management and today's IT industry, says cers at recent meetings in Gartner analyst Brian north America and Europe,

Internet and intranets.

☐ Enterprise packaged Client/server architec-

are systems.

☐ Network management. While it is no surprise ☐ Planning IT policy and that the Internet and intranets are now seen as the top technology issue, the report adds that "what is interesting is that Internet technology is the number one issue by a factor of in this year's survey."

two-to-one over other topics Last year's top technolare seen as "much more pogy topic was distributed systems management, fol-

Strategic planning and the lacreasing 'cburn' of IT ing, workgroups, SAP softchoice of the right IT archi. products in the market ware implementation and electronic commerce.

The main finding among 120 chief information offiwas the need to implement This year's five main an aggressive human-resources programme to attract, train and reward staff with critical IT skills.

Other topics include implementing solutions for the year 2000 computer date change problem and The other five main areas ture.

The other five main areas ture. making plans for larger

ind mobile IT u Many of these themes will be highlighted in the Gartner Group Symposium in the south of France, pext Future of IT, the sympostum takes place from November 3-6. The ITxpo 97

runs along side it. ☐ For details, telephone +44 (0)1252 776373. Online bookings can be made via www. gartner.com

Michael Wiltshire

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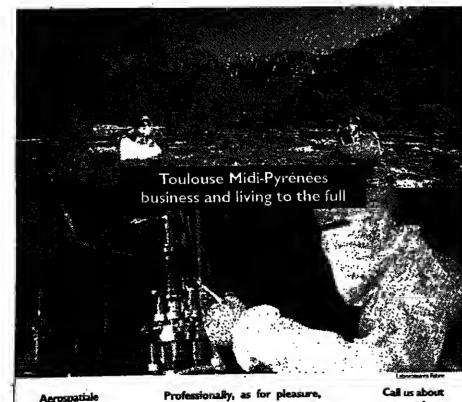
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ware distribution. The most testing tima for "If you bring together two

# Industry clash over 'the key to the future of computing'

There has been much public hostility between Microsoft, the world's largest software company, and Sun Microsystems, which invented Java

or more than a year, Microsystems, which Microsoft has been invented Java, intensifies. fighting a bitter battle During the summer, Micro- ensuring that the spread of with competitors in the com- soft angered competitors Java did not undermine the puter industry over Java. when it announced that it position of Windows, which in support of an open stan- trademark because it wants the language which has been would not support future has been the dominant operhailed as holding the key to versions of Java which Sun's ating system for five years. JavaSoft subsidiary intends the future of computing. Microsoft insists it is to promote as the industry

developing Java in the best standard. interests of users, but many other computer companies believe it is exploiting its huge market strength to

Meanwhile, the row hreakthrough that Java between Microsoft and Sun promised. To many people it their bets between the varital Equipment and Compaq

Focus on

the Java

software

industry

the hope that developers would be able to write a single application to run on any platform, which was the big

month, Microsoft, Intel,

Digital Equipment and

Compaq Computer asked

San Microsystems to cede

control of the Java comput-

ing language it invented to

an international standard-

the letter as a "publicity

stunt, asking Sun to change

the way we drive the Java

platform forward. We

invented Java, Sun is the

this role very seriously.

setting organisation.

on its own.

For Microsoft, this was a defensive move, aimed at The company evidently products that run 'pure'

felt it was essential to do whatever was necessary to This seemed to threaten ensure that applications developers produced most of their programs exclusively Standard Java would

'The software industry's genetic code'

tomers' input, and will not

The banefit of Java to

developers and customers

"provides a very unique threat to Microsoft," be

said. "Let's call it the way

it is. Every single thing

they're a monopoly under

The future of software is

object-oriented program-

ming, be added. "The

future of software is betero-

geneous networks. Java

deviate from this course."

In an open letter last based on industry and cus-

In a recent brisk that Microsoft says and

response, Alan Baratz, does is designed to protect

president of the company's their monopoly. They have

JavaSoft division, described no other motivation. And

"Sun will continue to makes them counect. The

drive Java's direction, inture of software is public

Netscape. In an open letter last month, Microsoft, Intel, Digienable developers to hedge

important in systems archi-

dard. Many companies have

soft's principal competitors,

Java had become the soft-

ware industry's genetic

code, "because the technol-

ogy delivers value that no

other technology can."

Microsoft, be said, was pan-

"They've got their heads in

Snn aims to invest

aggressively in the brand

"to ensure that Java always

means 'Write once, run

Other themes are 'Safe

network delivery,' and

'Smartcard to super-

Michael Wiltshire

computer scaleability'. "

anywhere'.

claiming Java as its own alternatives such as Unix, control of the Java language property and asserting a Novell's Netware and IBM's to an international standardoperating system much less stunt" - see box, below.

> Java, that is, compliant with Sun's standard. Among these are a number of Microincluding IBM, Oracle and

> > into two or more versions. applications. Microsoft claims that Java

It produced its own alterlikely to wreck Java.

appeared that Microsoft was our versions of Windows and Computer asked Sun to cede right to determine the future OS/400. More seriously for setting organisation. Sun of applications development Microsoft, it could make the called the letter "a publicity

Jim Mitchell, Sun's vice president of technology, Sun claimed that most of says: "Microsoft is calling for the industry was on its side Sun to give up its Java to kill what it cannot con-

"We'll consider putting the Java trademarks in the public domain when Microsoft reliquishes control over the Windows specification name and trademark."

Sun has been struggling to prevent Java fragmenting which would subvert its objective of becoming the common language of the Internet, the basis of downloadable 'applets', or mini-

is not technically or com-mercially capable of achieving Sun's goals and that it should be regarded as just another language, not a strategic operating system.

natives to Java in a language called Visual J-+ and ActiveX, which provides called J.Direct which proaccess to the internet for duce programs that only run Windows developers. Micro- on Windows. soft says ActiveX complements and extends Java, but Visual J-+ and the other (NC) in order to save money its critics say it is more

he compatible with those Up to now, few developers written in Java. ActiveX is linked to Microsoft's Distrib-



Looking forward to a Java-based world: Scott McNesty,

uted Component Object Model software, which diverged from the Object Management Group's Corba (Common Object Request Broker Architecture) standard, the specification for designing systems that run

Java applications. Further, ActiveX incorporates code written in the C and C++ languages that will only run on Intel chips using

duced application program-Java-like toolset called ming extensions to Java systems, he says.

new tools have been widely Applications designed to attempt to lock applications use ActiveX look unlikely to developers into Windows.

> ActiveX to any great extent, so there is still everything to play for - and both sides will use every technical and mar-

keting trick they can think of to come out the winner. The whole situation is reminiscent of the mid-'80s

when IBM dominated the

the Unix movement to protect its own proprietary operating systems.

Robin Bloor, head of the consultancy, argues that, just as IBM was forced to accept a standard Unix operating system, Microsoft will be pulled back in line by the rest of the industry.

"Microsoft bas been repeating IBM's mistakes Microsoft has also pro- and will have to learn that it can't impose its proprietary

rations will migrate from the personal computer to the As a result, ActiveX and cutdown network computer and that to use the NC they interpreted as Microsoft's will need Java applications to be downloaded across their networks.

"Microsoft will use all the have adopted either Java or cards in its pack, but won't be able to prevent pure Java spreading," says Mr Bloor.

This could mean that Microsoft's monopoly position, which has always been the PC market, will be gradually eroded. But Don DePalma, a senior analyst

accused of trying to splinter ter Research, takes a differdence in Microsoft's ability to adapt. He recalls how Microsoft changed its stance UK-based Bloor Research on the importance of the Internet and very quickly turned the company around to address the issue with a new strategy and new prod-

> In his view, neither Sun nor Netscape has provided strong enough leadership to ensure that the rest of the industry rallies around the Pure Java flag.

Another reason why Mr. DePalma is more bullish about Microsoft's prospects is that ha doubts tha scale of the impact of the NC. He also notes that Microsoft has been developing a Plan B, in case Java is more successful than it would like.

Microsoft's Java Virtual Machine, a system to support applications on other operating systems - is a Microsoft proprietary platdependent on the growth of form. "The company is quickly positioning itself to deal with the possibility of a Java-based world," says Mr inoustry and was widely with US consultancy Forres- DePalma.

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# Search for more 'Java people'

MISSION CRITICAL APPLICATIONS . By Philip Manchester

Java may evolve into a general-purpose language to write all kinds of software - including high-profile mission-critical applications

omputer programming languages do not usually hit the front pages of the technical press - let alone general publications. But Java, the language davised by Sun Microsystems to huild software for the Internet/World Wide Weh, has attracted a significant amount of attention since it emerged from Sun's software labs just over

two years ago. Java is not especially innovative as languages go. It builds on tried-and-tested deas and embraces several. about software technology.

Theoretically, a program written in Java will work on any computer which has a Java 'interpreter' - so it need only be huilt once. But Java is more than a new language: it demands a new way of thinking about how. software is built, distributed and supported. It relies on the concept of computer software as a set of re-usable objects or components - and requires new skills to exploit

Java is also closely associated with the continuing battle hetween Microsoft and others to dominate the computer software industry. As the primary way of delivering software to the so-called 'network computer', Java is seen as a potential threat to Microsoft's dominance of the desktop PC market

And, although Java is primarily linked with developing software for the internet. It is now being seen in a wider context; the corporate world is heginning to use Java to build 'core-business', mission-critical IT applica-

s with most developments associated with A the Intarnet, Java's progress to the top of the software heap has happened quickly and dramatically. Within weeks of Sun launching the first Java test systems, most of the computer industry identified its enormous potential and committed support and resources to the language. IBM was one of the first to. leap in and now boasts the largest skill pool of Java expertise in the world.

anything to do with the Web has gone through accelerated development. You can think of a Web year as lasting about 90 days. This means that although Java is very young we have seen rather hectic progress. We have 2,500 programmers now working in Java," says Mr John Soyring, worldwide

projects business unit. IBM set the unit up a year ago to cope with the unprecedented problems of building mission-critical applications in Java and claims signifi-

director of IBM's technical

"We have projects going on every continent demonstrating that Java and network computing technologies are viable for important applications like running an ATM network or processing loans and insurance applications," Mr Soyring contin-

He goes on to say that, not only are 'industrial-strength' Java applications technically viable, they are delivering real business benefits: research by Booz Allen Hamilton estimates that the traditional cost of a banking transaction is about \$1.08 -"with call centres they can bring this down to 54 cents. But with Web technology, it comes down as low as: 13.

- to build a new banking Lisp and C++ and added porsystem for the governmentowned Banco do Brasil will test Java to its limits.

network with 50,000 PCs, including 8,000 servers, that software company Progress will be accessible all over the world in many languages. It will handle both retail banking and business. to husiness commercial hanking - all based on Java," he says.

however, that, while the more 'mission critical' than Java language is now that The doctors don't know mature enough to do the job, it is only one part of the technology needed to sup. Java brings the power to the port full commercial applications on the Web.

"Everyone recognises that Java needs all sorts of software services to support these systems - database access, transaction management and network manage-

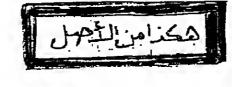
ment, for example." Pierre Haren, chief executive of the French software company Ilog, (see Chrysler report, page 6) ahares this view: "There have been some major problems with the stability of the underlying technology to support Java and the real question is: Do we have the environment to run mission-critical applications written in Java? The language is mature and is making progress both in terms of performance and function."

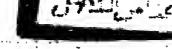
n spite of Java's close association with Webbased software, he sees it evolving into a general-pur-pose language which may be used to write all kinds of software - including highprofile mission-critical applications.

Java draws several important advances in software creation together. "It is a good language to deliver components or objects and is geared to a networked client/ server environment," he says. Others are equally liberal with their praise of Java. "It is a good language which has evolved from earlier languages. Java has Mr Soyring's latest project taken all the good stuff from tability and componant structures. We feel it's ready for use in mission-critical "We are talking about a applications," says Mr Purna Pareek, vice president of US Software and a specialist in

"We have built a Javabased system for Spectra Labs in California. It gives access to kidney dialysis results to 500 doctors across Mr Soyring acknowledges, the US - and you can't get about computers - but they can use a net browser and application.

Mr Pareek adds, however. "Java is important - but it that the real problem is not is the tip of the iceberg. The the language - but finding business worldwide has tril-people with Java skills: lions of dollars invested in "Java people are hard to find existing systems which they and can command a precannot just throw away. mium in today's market





Mr Meakin does not doubt

Java's usefulness. But he is

adamant that large organisa-

tions are throwing their

training hudgets at Jsva

without considering other

ways of exploiting the phe-

ware bouse that concen-

trates on developing soft-

ware short-cuts for large

projects, has sent a small

number of staff out to learn

Java. But Pierre Haren, flog

chairman, maintains a dis-

tance from the Java enthusi-

asts. "With Jsva, you have

seen a peak of hyper-inflated

expectation followed by disli-

lusion. Often companies

have rushed into training

they were going to use

the journey of Java: "We see

it as a wave that started in

California and is popular in

With a large residue of

C++ skills. Ilog should be

able to enjoy the benefits of

Java without any intensive

The education arm of IBM

is experiencing the Java

revise training schedules.

putting on 50 per cent more

Peter Brown, an instructor

at the IBM centre outside

Winchester where much of

the company's Java develop

from its customer-base.

France or Germany."

training initiative.

In Paris, Mr Haren surveys

Ilog, a \$33m French soft-

nomenon.

**Business software** 

FINANCIAL TIMES WEDNESDAY OCTOBER 1 1997

ns passes on IT skills to 75.000 people each year. Independent

TRAINING BOOM . By Michael Dempsey

# Rush to climb on the Java bandwagon

Large IT companies are training staff in order to embark on pilot projects in Java

The Java programming language started life as an internal project at Sun Microsystems. The idea was to create a software environment that was suited to writing code, running inside consumer electronics.

It would be a quick solution for programmers trying to turn around applications for cable TV services. The rise of the Internet and the advent of the network computer (NC), a slimmed-down cheaper alternative to the desktop PC, soon persuaded Sun that Java had a greater

Now its name crops up at heavyweight business projects: Nomura, the world's biggest securities house, is buying more than 1,000 Sun JavaStations as just one part of a huge IT project, christened 'Hoodini'. The overall cost of Hoodini is believed to last time she saw such a

be in the region of £40m. ambitions scheme that should allow future generations of bankers to adapt systems to sudden needs in very little time. The relative ease of writing applications that Java programs will run across different hardware platforms without excessive intervention from technical staff, means it appeals to the

new Nomura philosophy. The brief history of the IT sector has seen regular sudden demands for particular slices of software. And programmers who know their way around the latest vogue software can always com-

mand generous pay packets. Smart IT professionals try to spot the scarcest skills in order to home in on the best money. Java is no exception to this rule: the training arm of Sun passes on IT skills to 75.000 psople every year. Brian Couling, marketing manager with Sun training in the UK, reckons some 25,000 of these are getting on

board the Java bandwagon. hurgeoning Java community into two categories: large IT sake. You can generate Java companies ars re-skilling from other products. So why staff in order to embark on pilot projects in Java. And in it?"

small contracting companies ated with Java. Sun certifies a number of

third party contracting organisations. Staff on the books of these agencies are often prepared to train at weekends. It asema that husy and successful freelance programmers are still incredibly enthusiastic to expand their skills. Sun Java courses typically last five days and cost £1,250 per

Mr Couling identifies the buge global reserve of C++ programmers as the main source of Java recruits. C++ is a programming language that forms a useful stepping staff without knowing how stone to fluency in Java. And Sun believes there is no shortage of C++ skills, "We believe there are 1.3m C++ programmers worldwide." says Mr Couling.

One of the contracting Scandinavia, but not in agencies that works with Sun is London-based Arena, owned by the IT recruiting company, Lorien.

Alison Nye, training co-ordinator at Arena, says the rush to climb aboard a soft-Nomura's London opera- ware bandwagon was three wave. Demand for Java was hugely popular.

That is driving the hat is driving the Java revolution?
Ms Nys observes Ms Nys observes the stampede from the viewin Java, allied to the fact. point of a professional thirdparty contractor that knows where the business is. "Right now, Java gets you on to preferred supplier

> Soms companies are sounding a note of caution. Compuware, a \$813m US software vendor, claims to sell a tool that will allow programmers to exploit Java without the hother of retraining dozens of staff. Uniface, described as an application development environment, costs \$6,000 for eight users who can create Java-compliant programs.

Ian Meakin, UK product marketing manager for Compuware, is a self-confessed Java cynic. "Java is starting to abow soms cracks. There's no doubt people are excited about it - hut that's because it has become an IT Mr Couling divides the religion. It's another case of technology for technology's spend money training people

JAVA TOOLS . By Philip Manchester

language presents an years sgo as a promising solution to the problems of building software for the Internet, Java has spread quickly to become the hottest topic in software.

According to observers in California, a programmer who knows Java is currently "a very valuable individual in Silicon Valley".

As is often the case in the software industry, the tools to make Java programming easier have lagged behind the spread of the language. Now that Java is acknowledged as an important element in the future of software, the tool-makers must get to work and huild tools that will take the pain and complexity away from developing software with Java. But in common with anything to do with the Internet, developments move fast.

The tools market is reacting very quickly to the demand for tools," says Mr Michael Houghton, a software engineer at the UK Java software specialist. Entranet. "Fortunately, Java is not radically different from earlier programming languages - so, many of the lessons that have been learned can be used. But it does require a new way of thinking - particularly as Javs breaks software down into components."

more advanced - "more market reach. They want asset in a development envi-

The rapid progress of Taking the pain out of Java programing Taking the pain out of unprecedented challenge to software developers. Lauoched just over two years sgo as a promising

> The primary focus quickly and Java can deliver been to find the right compofor tool makers is on exploiting Java's ability to re-use program

Workshop," he adds, Others such as Visual Café Pro from Symantec are linking in database processing to

"There is a myth that there are oo tools and the language is immature - hut I don't agree." Mr Houghton adds. He recommends that sceptics visit the Gamelan site on the World Wide Web (WWW.gamelon) where they will find a pletbora of Java programming tools.

Programmers and software designers use "software tools" to help them in many ways. From the loitial design through generating program code, to cootrolling the distribution and support of new software, good tools have become an essentiai part of their lives.

Java has placed a special burden on them because of project. Oracle claims it can the speed of its acceptance by the industry and the unique demands of the Internet. Organisations are rushing to hulld websites to The tools are becoming increase their sales and their graphical, like Sun's Java good quality software ronment. The problem has ing the benefits of this ware.

The primary focus for tool Java's ability to re-use program code. The concept of the re-usable software 'component' is central to Java. Components are catalogued in so-called "class libraries" so they can be easily found. If for example, a programmer were building a Java program to accept a name and sddress on a Web page and check it against a customer database, the bones of the program - reading the data from the "screen", compiling a database search and reading the database, and so onh - may already exist as

pre-written components. Similarly, any new components the programmer creates that might be useful in future may be added to the catalogue.

Oracle - one of Java's leading champions - says it will add an advanced cataloguing feature to its Deveioper 2000 toolset at the end of this year. Based on its Sedona two-year research offer an "open" catalogue or repository which can cope with all kinds of software components - including those huilt with Java.

"Software re-use is a great

them into new systems. The makers is on exploitlog Sedona technology was with objects so you can catalogue them and even bring multiple catslogues together," explains Mr Kie-

> Taksn together with improvements to other technologies to help with generating Java code, it enables links to existing "legacy" databases and copes with the demands of the Internet. Oracle claims it has "a tool that can deliver productivity improvements

similar to fourth generation

cle UK.

language tools". tools for Java development but we are thinking at the next stage: how do you manage the software once its built? We are looking to support Java st all levels," says

Mr Kilmartin. Oracle's Java tools strategy is not dissimilar to that of Microsoft arch-rival.

"We see that the key to lot of organisations are see-

nents to re-use and huild focused on building tools that can transform business rules into componeots," says developed to let you work Mr Mike Pryke Smith, development tools product manager at Microsoft UK.

Where Microsoft and Oracle part company is over ran Kilmartin, tools product who supplies the compomarketing manager at Oraneots and important parts of the support infrastructure.

Microsoft's ActiveX componeot technology, for example, overlaps with some of Java's support technology. Mr Pryke Smith says Microsoft sees Java as one of several language options.

"Whether you write the code in Java or C++ or Microsoft Visual Basic, there are advantages and disadvantages. We think they all have something to offer and We have the productivity we should not force developers down any one route.

"We think Java developers will want access to ActiveX - and we are building the tools and services to make this possible."

The fact that even Micro-Ironically, this thread of soft has to sit up and take notice is a testimony to the importance of the Java phenomeooo. But unlike the last geoeration of software, Java is not something Micro-Java is providing the ser- soft can control. At least it vices to support muiti-tier. can share in the honanza component development. A that will come from selling tools to help build Java soft

JAVA AT WORK: Developments at Reuters . By Rod Newing

# Speeding new services to desktops worldwide

Java opens the way for an enhanced range of products to 160 countries

I long way shire international media 1851. Reuter, a bank clerk, who became a partner in a hook-publishing firm, used electric telegraphy and even pigeons for his prototype news services.

Today, the Reuters agency provides the latest information to dealing rooms and treasuries via 340,000 terminals in 160 countries.

These terminals utilise complicated and conhisticated Windows and Unix clients. "It is time-consuming and expensive to change them," says Mr David Weller, development manager in the Reuters Web and Strategy Group. "A site visit by an engineer is required at each of our 35,000 client

Reuters' goal is to reduce the cost and time-to-market in delivering these services to desktops. While it is easy to receive real-time stock prices and background text from Reuters, the agency also wants to deliver multimedia information, such as annual reports with photographs and graphics.

technology had potential. "Because Java applets are of internationalising our downloaded 'on the fly,' new

products and enhancements Java uses the Unicode charto oid ooes can be made acter set to represent charac-

ing products in Java in New ically." York, Chicago, Hoog Kong and London. Reuters is reluctant to release details of eocompasses all the world's long way since the its new services, hut gives scripts. "The advantage of examples of early projects. Java is that it operates agency was founded in Lon- One application notifies across different platforms." content in which they are interested on the Reuters Web by displaying a scroliing list of alerts on their screen. They can doubleclick on an alert to retrieve an HTML page with the

> Another 'applet' (a compact application] allows users to make complex searches of Reuters' \$100m data warehouse. A third party developers' toolkit has been redeveloped in Java, allowing third parties to embed Reuters real-time news feeds or stock prices into web sites, including graphs and time series

#### Localised products

Throughout the world, there are users of Reuters' products requiring services in their own national languages - both for the text on the user-interface sod the content, "Japanese users want to see the screen in Late in 1995, a small group Kanji, while Russians want looked at Java to see if the it in Cyrillic," points out Mr Wsller. "In the past, the cost

products has been high, but

available much more ters, which helps us to pro-quickly," says Mr Weller. duce localised products and duce localised products and There are groups develop- services much more econom-

Unicode is an industry standard character set that there are subtle differences hetween platforms, so 'applets' need testing on each one."

The importance of Java's cross-platform capability is oot as great for Reuters as It might be to other organisations, since most of its customers are standardising on Windows NT Workstations. However, Java's portability acrosa different network servers is important for applets that harness the power of the server for analysis, using the data ware-

Another hig advantage is that by utilising corporate intranets. Reuters can opeo up oew markets with products which it could not deliver cost-effectively in the past. This will allow Reuters to deliver a wider range of products, which will help it to establish a wider presence In its customers' organisations outside the trading

"Java features very large in Reuters Web, our global network, says Mr Weller. "A lot of our focus is to using Jsva to add new capahilities to our existing products more quickly than we would otherwise do.'



courses in the UK. Trainees Nortel's new Java phone - codenamed Orbitor - is able to collect come from within IBM and Information from the World Wide Web

### Ring, ring: Java calling

number of key factors in the Java revolution. The way Java allows Internet tools to be created wins his approval. So does Sun's shrewd move

in opening up the supporting code behind Javs to make it "platform nentral". Jsva will take away a lot of the software rewriting

chores, he says. Vendors who want their product to run right across environments such as Windows NT yet. or Windows 95 will only have to write their code While training an entire

generation of programmers sounds like an expensive proposition, this investment may be recouped by easier times to come. Java is not the first piece of software offering to solve longstanding computer problems. But even the most cynical observers will find uses for it in the next few years.

ment is taking place, cites a Forget the much-heralded network computer - Nortel, the communications company, has come up with a more enticing proposition: the network telephone,

> The idea behind the phone is that it is not trying to be a computer. What it is trying to be is a super smart phone that provides all kinds of services - even ones that have not been thought up

Hnw can It do this? By using Sun's Java programming language. One side of the Nortel phone is dedicated to a touch-sensitive liquid crystal display that will flash up buttons appro-

priate to the task in hand. The screen looks different, depending on which Java program is in place. new Java progams can be loaded on to the phone - from the Internet or frnm cellular service providers - to add

new services. The beauty of Java is that:

☐ It is good for compact applications (or 'applets') that will fit in the phone's memory. Applets can run on many different computers, sn s Java applet written for one device can he adapted for another. ☐ It is popular on the

Internet, so lots of Java

applets can be found there. □ It will enable Nortel's phone - codenamed Orbitor to collect information from the World Wide Web, mostly from pages designed for access by small devices. Ken Blakeslee, director of business development for

advanced mobility applications at Nortel, says the phone can he used for a variety of tasks including reading and sending Inter-net e-mail. The phone has a pen-shaped stylus that can he used to compose shart

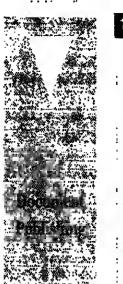
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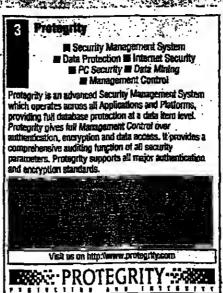


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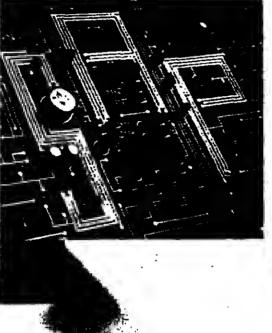


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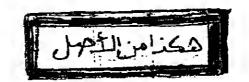
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FT-IT DIREC	TORY INDEX
Page 12	ERP Systems 11
Accounting Software 2	Manufacturing Systems Review 4
Activity and Contact Management 1	EMU Compliance 10
	Security Management 3
Business Solutions 7	Sany DTF 6
Distribution Solutions 5	Visual Communications
ERP Software 9	Technology



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Page 13		Custom and Management Solutions	
l age 10		Data Security .	:
Accounting and Business Software 1-2	2, 25	Document Management and Workflow	
Accounting Software 3, 8, 9	9, 13	Electronic Commerce Systems	
Accounting Solutions	11	Finance Management	
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#### Computer telephony integration By John Williamson

# Moving into mainstream business

The \$1bn computer telephony market puter manufacturers. is poised for 'massive growth', say market analysts. Worldwide, it could be worth more than \$14bn by the year 2002

omputer telephony integration (CTI) systems, already routine equipment in many businesses in north America. are poised for massive growth in Europe.

More than 12m commercial sector employees in the region's eight leading economies will be using CTI products by the year 2002. This represents around 17 per cent of the total workforce of these countries, according to market researchers at Datamonitor.

Financial and manufacturing are seen as the two biggest areas of opportunity for equipment vendors with more than 6m CTI-enabled workstations being installed within five years.

Worldwide, the CTI market will be worth more than \$14bn by the year 2002, a great leap when compared to 1996 revenues of \$1bn, says the market research company, Ovum.

in practice, the term CTI is not all that precise. Technically, CTI involves the interfacing of corporate voice and data networks to enable, for example, the manipulation of customer data during the course of a telephone call. Other elements of the CTI mix can be voice-processing and storage, call management and antomatic call dis-

tribution. The specialist telecoms consultancy. Schema, distinguishes between different CTI architectures:

☐ First party systems are those in which a single computer - typically a PC - is

connected to a telephone. ☐ Third party systems are those in which a telephony switch - usually a private branch exchange (PBX) or an automatic call distributor (ACD) - is hooked up to a host computer or server.

First party CTI offers screen-based telephony and other productivity tools for tures, there is an underindividual PC users in an office environment.

Schema segments the third party CTI market by application into call centre systems and group productivity systems.

A group productivity CTI system, on the other hand, is lesigned to support groups of office workers by providing a range of telephony-related tools aimed at allowing them to collaborate more effectively and efficiently.

Schema predicts that in Europe the total respective market revenue sbares of first party, group product and reliability issues still need to be resolved before real-time Internet telephony becomes ubiquitous.

Finally, the entry level

vendors and the big com-

cost of CTI is declining quite significantly. The activities of companies such as Novell and Microsoft is a factor here, and low cost, shrinkwrapped CTI applications run on PCs have become a viable alternative to larger systems supplied by telecom

In particular, Microsoft is working with software vendors to target the call centre market. However, there are one or two flies in the CTI ointment. There is still a

of the potential benefits of the technology. "Suppliers need to step out from behind the thicket of acronyms and technologies to sell the benefits in end-user terms," says Datamonitor. There may also be a short-

age of vendor CTI skills into which the uninitiated user can plug. Given that the phone system is absolutely critical to most business venstandable reluctance on the part of companies to initiate big modifications to it if the perception is that the CTI supplier is deficient in exper-

market, high street dealers market-place, engenders are not yet alert to the full buyer confusion and protion advice needed by small safe to invest in its products, the entertainment, remote lack of buyer-understanding businesses, say market ana- say anayists.

> n spite of the appearance boards, grafting a computer- middleware have both telephony system on to a tended to simplify tha CTI proprietary PBX can be developer's task. expensive and complex. whila the alternative of is moving out of the niche replacing the telephone sys- into the husiness mainviable proposition.

or the continuance of a mul- years of the new century, 378 838).

At the lower end of the tiplicity of standards in the commercial opportunities of motes the impression that pean call centres will have the technology, or in a posi- the CTI industry has yet to IVR capabilities. Early adoption to supply the installa- mature to a point when it is ters include companies in

the proliferation of more gests that, when impleopen application programof PC-class platforms ming interfaces (APIs) and with add-in telephony the availability of suitable But if computer-telephony

tem wholesale is not often a stream, its original call centre market application is Meanwhile, attempts to undergoing significant modi-standardise CTI-link proto- firations in Europe. In parcols have not achieved as ticular, integrated voice much as was originally response (IVR) will become hoped. Products that obey the most important call cenonly proprietary standards, tre technology by the first

By the end of this year, around 29 per cent of Euroshopping and travel sectors. Mitigating this, though, Experience in the US sug-

> mented, IVR will further enhance the productivity of call centres and increase the satisfaction of calling customers. The writer is senior tech-

nology editor, Global Tele-

phony Magazine

O Voice Europe 97 takes place at London's Olympia 2 on October 7-9. Conference sessions begin a day earlier than the exhibition. For details, e-mail Gareth Martin via: gmartin & advanstar

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between people and machines. In use, above, is a telebenking

# Internet's impact on computer-telephony industry

The scope of the computer-te-

delivery systems. An increasing number of vendors are offering a level of computer telephony integration (CTI) systems, using internet technology. Multimadia CTl is forecast to become a big part of the business

in the next few years. So far, CTI systems have largely involved the Interfacing of disparate corporate voice and data networks. The idea presented by the CTI vendors is this is a relatively low-cost way of adding value to corporate operations - a way for businesses to gain more ont of their voice and data networks, if these services are combined.

lepbony industry is widening Gandillot, Alcatel's director of marbeyond the integration of keting for voice communication telephony and the corporate data systems, the influence of the Internet on the telecoms industry is already significant and is expected to become even more pervasive, accelerating the convergence of

voice and data across the board. Alcatel identifies two separate thrusts here. Corporations are deploying Internet technology at the backbone and campus levels of their networks for cost efficiency reasons. "There is an obvious opportunity for cost reductions, or at least cost sharing, in jointly managing voice and data traffic, according to Mr Gandillot.

Separately, the focus in the customer premise equipment (CPE) arena is on the standardisation of

In general, as noted by Mr Xavier Web browsers and other terminals used to provide sophisticated PBX traditional assumption that an to enable them to conduct dialogue through the internet. As such, concludes Mr Gandillot, the Internet will inevitably impact future CII

> from the possibility of using 1 Lthe Internet to exchange signalling information while continuing to use conventional wireline or mobile channels to carry actual voice traffic.

Taken to its conclusion - and some PBX and CTI vendors have already started off down this road - you wind up with an intelligent overlay mechanism capable of managing the relationship between correspondents across the network. itself. The integration of CTI and This Internet-based overlay can be the Internet will also challenge the

functions such as automatic follow-me, or a range of virtual private network services, to buslnesses which could otherwise not cost-justify such capabilities.

An example of a specific intemight involve a Web browser requiring more information about user simply clicks on an icon on the Web page and is connected through the Internet.

growth of teleworking and the conleast in the call centre business individual's physical location to the rest of the workgroup is an

absolute requirement. The reasoning here is that the Internet provides standard communication links for voice and data nother voice driver arises grated CTI/Internet application between the home worker and the nominal remote office, and that these links are both well-adapted to some product or service encount the transmission of volume data at tered on the net. Instead of contact- a cost lower than that used, for ing a call centre by telephone, the conventional dial-up public switched telephone networks. (PSTNs).

As market anayalyts at Data-CTI has already sponsored the monitor note, the effect on people's working lives and the impact on cept of 'virtual' companies, not the requirement for office accommodation could be profound.

John Williamson

Tha next frontier, espe-

recognition. "Wa're defi-

nitely in that arena," adds

Mr Blakeslee, "but dictation-

quality voice-recognition

When it becomes avail-

More details from Nortel on

able, it will open up a big

range of new applications for

over GSM is at least two or

three years away."

network telephones.

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Solutions for a small planet



DIGITAL WORLD: the main theme of next month's FT-IT Review on Wednesday, November 6, is digital media. Illustrated above is the new DVD home theetre system from Panasonic which aims to provide next-generation cinema-quality images and high fidelity sound. Advanced DVD, which now stands for digital versatile disc, uses optical disc technology, developed jointly by Matsushita (Panasonic). Hitachi, Mitsubishi, Philips, Pioneer, Sony, Thomson, Time Warner, Toshiba and JVC

### Advent of the Java phone

From page 11

replies. The user prints a character at a time and bandwriting recognition software converis this to computer text. It bas no physical keyboard, but it does have one you can display on screen.

The phone can also be used to send handwritten messages the size of an office 'sticker' note, or drawings to a fax, or to another Orbitor. "I could draw a map and fax it," says Mr Blakes-

Mr Blakeslee aees the Orbitor being used to get traffic updates, weather reports and share prices and to download games, specialisad applications and accounts programmes (for example, expenses), written in Java

It will not be possible to buy the Orbitor till the first quarter of next year, he says. It will be introduced in the UK first, along with a package of services from a Global System for Mobile (GSM) cellular network operator.

It is designed for digital GSM networks and will transfer data at 9,600 band, though Mr Blakeslee says the response time will be fast because compression software will be used and because Java applets are compact. The price to the end-user is likely to be under

Rob Bamforth, Java market development manager for Sun, says: "We'll see some other Java phones come on to the market, but Nortel has a bead start, A number of other mobile nbone makers and some per-

sonal organiser companies such as Psion are adding similar price tag to Orbitor. Java to their phones. Mr Bamforth believes that cially for the mobile, is voice

one facility the mobile phone. user wants is better integration between voice and e-mail mail. Nortel is also planning to

bring Java to the desktop. phone. It will launch a Javaequipped phone with a fiveinch colour screen in the US later this year. The phone will be introduced in other countries once It receives tel. +44 (0) 1628 432 216.

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